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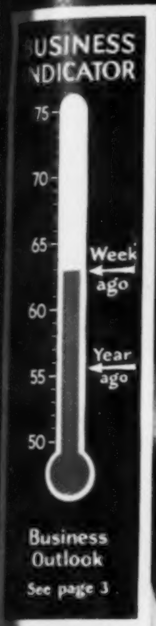
1933

BUSINESS WEEK



See page 3

Acme

BETWEEN THE RESERVE AND THE R. F. C.—Francis H. Sisson, retiring president of American Bankers Association, hears Governor Black (left) and Chairman Jones (right) urge bank credit expansion.

NRA MEMBER U.S. WE DO OUR PART

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This Business Week

CLOSING of the Conneaut (O.) Mutual Loan and Trust Co., a member of the Federal Reserve, licensed to open after the banking holiday, has drawn sharp criticism. The government certified the bank sound at the time of its reopening. Short of actual thieving, of which there is no accusation, it is hard to imagine how a bank could be in worse shape than on March 4. Right or wrong, the public got the impression that any bank that reopened was safe. The President said as much. Incidentally, insiders say that were it not for Governor Black, there would not be as many banks open as there are.

PLANS for the extension of credit to industry still are "in the study stage," as the President puts it. Most favored at present is the idea of establishing finance companies in a number of localities which will endorse at the banks the notes of responsible concerns willing to undertake employment-making activities. The RFC is to subscribe to stock of these companies. There is a division of opinion—should the RFC subsidiary assume entire liability, or part liability? The preponderant belief seems to be that it will have to be complete liability for losses—the banks taking the stand that those business concerns that cannot already get ample credit are not good risks.

NRA has been described as "government partnership with business," which is just another way of saying that the people have asserted they have an interest in business, and a voice in it. Now the archtype of individualist is Henry Ford, who always has to do everything his own way, who could not endure partners, will not have stockholders, is congenitally unable to do anything in concert with anyone else. This is his great strength—for he has been right often enough to make it pay him pretty well—and his weakness. The situation saddens observers who recognize his contribution to the country, who feel NRA in many respects is the late flowering of the Ford philosophy of wages—in a word, those who have admired Ford but who at the same time believe the era of complete individualism is over.

SPEAKING of departing eras, how do you feel about a system under which 3 bankers name themselves a "finance committee" for Armour & Co., and deal themselves $1,300,000 in salaries in 10 years? The naïve layman would suppose the profit from a big customer was sufficient to secure the bank's best advice just as part of its service. Apparently one new committeeman felt that way, too, since he has accepted nothing for himself.

CYNIC'S definition of a balanced budget, under the New Deal: The budget is balanced when the deficit is no larger than expenditures.

SURPRISED by a demand bigger than even the incurably optimistic Walter P. forecast for his cars, the Chrysler organization has been put to it to get deliveries of materials. For instance, it has been shipping upholstery cloth from New England to Detroit by airplane. Expensive—but cheaper than slowing down the production line.

PRESS dispatches describing the great concern in London banking and financial circles over the tremendous influx of American funds fleeing from the dollar are not to be swallowed unhesitatingly. *Business Week's* London correspondent can, as he phrases it "find no signs of any tumble-out into sterling. London opinion is that American inflation-shy capitalists are going into gold currencies, not sterling."

THERE are about 3 million employers of labor in the United States. NRA did not discover this until it had printed 7 million PRA blanks and 7 million Blue Eagles. Well, the idea of NRA is to increase employment.

THE railroads, you will remember, used to kick loudly about the inroads of the trucks with their lower rates. It must be news, therefore, that the truck operators are protesting the practice of the railroads in cutting rates to meet truck competition. Apparently, the dog doesn't like it when bitten by the man.

THREE wrecks within a short time have caused a lot of people to jump to the conclusion that the railroads' drastic curtailment of expenditures for repairs and maintenance were responsible. Bad condition of rolling stock and roadbed may yet take its toll, but apparently these three wrecks cannot be traced to inadequate maintenance. Whatever was wrong, if anything, with the trestles that dumped the Crescent Limited and the Golden State Limited was inherent in the design of structures built long before this depression. As to the Erie wreck, it was human negligence that caused it. The much condemned wooden car had a steel underframe, which the I.C.C. approves.

The Business Outlook

Retailers are feeling the beneficial effect of the march back to the factory and fattened family pay envelopes. August department store sales in leading centers were 16% larger than a year ago. New York State, frequently the forecaster of the national trend, reported the largest August increase in employment in nearly 20 years. . . . Carloadings reached the year's peak just before Labor Day, indicating that trade is gathering momentum. . . . Public construction is getting under way. Early September reports on heavy engineering construction indicate the best totals in 3 months. . . . Soft coal is being piled up by big consumers, while operators wrangle about code terms. . . . The downward trend in steel production has halted, but new orders are still slow coming into the mills. Motor buyers from force of habit are shopping around for steel quotations, apparently unconvinced that a new era of stabilized code prices has been initiated. No broad advance in last quarter prices is expected, which may account for the deliberation of consumers in placing orders. . . . On the other hand, important buyers of non-ferrous metals—lead, zinc, and tin—entered the market for supplies as a safeguard against future advances. . . . August failures reached the lowest level in years. . . . Commodity prices fluctuated narrowly.

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GENERAL ELECTRIC

BUSINESS WEEK

SEPTEMBER 16, 1933

NRA Builds a Machine

Starting with a price board, the Recovery Administration prepares to meet the demand for policies, decisions and better organization for the job.

WASHINGTON—After 3 months of confusion, business is going to get from NRA authoritative decisions on what its codes may say about price-fixing, price maintenance, and mark-up. The decisions are to be cut from basic principles to fit each part of the body economic—raw material, capital goods and consumer goods production, wholesaling and retailing—and sewn together to make a policy. And business is to know exactly who is doing the tailoring.

This news of the appointment of Dr. John Dickinson, Assistant Secretary of Commerce, Dr. O. M. W. Sprague of the Treasury, Harry Slattery of Interior, Dr. Gardner C. Means of Agriculture, Isador Lubin of Labor, Dr. Alexander Sachs of NRA, and Gen. William I. Westervelt of the AAA as a federal price-policy board is highly important in itself, but more important as a detail of large strategical developments going on behind the fog of recovery battle.

"Nick o' Time Johnson"

Summed up, these developments mean that the Recovery Administration is, at last, becoming an administration, with definite policies, machinery for putting them into effect, a precise division of labor and a clear allocation of authority. "Becoming" is still the correct word, but it is a better word than business could find for the situation a week ago. A week ago there was bitter talk that NRA wasn't becoming anything except confusion piled on confusion. The news comes out in the face of a real threat of loss of confidence, sharpened, however unwarrantedly, by the delays over the coal code (page 8). If it proves convincing, "Nick o' Time Johnson" has again earned his nom de guerre.

NRA's reorganization plans, intended to shake the recovery army down to a small compact set-up of staff and line officers, coordinating on a clear-cut functional basis, is a headline feature of the news. If carried through as laid out it will go a long way toward speeding up the mass production of codes, encourage industry cooperation by the promise of quick decisions on issues of jurisdiction, wages, prices, etc.—and of decisions that will stick. An important part of the promise is the assurance that a reorganization means the delegation of some of the authority that has heretofore been concentrated in General Johnson's hands. This is typified in the setting up of the price-policy board after 9 kinds of price-fixing and price-maintenance have been let loose in codes already approved, but now probably due for revision to bring them to some kind of uniformity. The new board is already regarded as an essential cog in the recovery machinery, despite early hesitancy on the part of the General. It has been active in the settlement of the price maintenance issues which have held up the progress of the retailers' code.

International News

CLARENCE FRANCIS—The chairman of the code committee of the Associated Grocery Manufacturers of America told radio listeners to expect no Blue Eagle on beans. General Johnson agrees with the industry that to put the NRA label on food products would be quite a job.

Code enforcement plans are deeply involved in the Washington shake-down. Repeated accusations that codes and President's agreements are not being enforced have done their part in whittling away the country's confidence in the effectiveness of the recovery program, despite General Johnson's expostulations that enlistment came ahead of enforcement. Actually, suspicion of the earnestness of enforcement has gotten in the way of enlistment and hurt the prestige of the Blue Eagle.

Local Enforcement

Enforcement of the PRA's has been turned over to some 6,000 local "compliance committees," now being set up throughout the country. Their job will be simplified by a few well-chosen examples—where the publicity will do the most good. But NRA is more concerned about enforcement of the industrial codes, just as it is most concerned about welding individual signers of temporary PRA's into (permanent?) industrial codes. Policies on enforcement of these industrial codes are fast crystallizing.

They are to be persuasive as far as possible—but not so far as to weaken NRA authority. There will be firm insistence on formal acceptance of an industrial code by each member of the industry concerned and a clear distinction between those who come in and those who are brought in; the Ford incident has fixed the General's ideas about that. The new enforcement machinery will include a greater use of trade associations—and probably some shaking-up of associations that have missed the train so far. More emphasis will be laid on the "Code Authorities" (industry control committees, usually supplemented by NRA-named representatives of labor, the consumer and the Recovery Administration), which are being set up in all codes. However, there's a question of policy to be settled here.

Code Authorities' Authority

In some codes, the Code Authorities have been given very broad legislative and judicial powers—to enact new provisions in several cases, to collect fines for violations, as in the steel code. In others, of which the best example is the automobile code, they have been carefully limited to advisory functions; the industry, as a whole, must act on new commitments. In Article IX of the automobile code, there is a specific

International News

O'BRIEN EXPLAINS—New York's malappropriate mayor (left) tells Richard Whitney, president of the Stock Exchange, about the new city taxes on securities. Mr. Whitney looks convinced—about something.

statement that signers reserve the right to object to any modifications, which is taken—by that willful industry, at least—to apply even to modifications that may be promulgated by the President under the power handed to him by the law.

Washington expects NRA to furnish, as part of its "program of decision," a clearer uniform definition of the Code Authority's job with the probability that it will remain the policing body, with exercise of the legislative functions left to the vote of the industry as a whole. There is evidence that fear of the Code Authority's power to change the rules and distrust of vague enforcement clauses approved in Washington have been responsible for the limitation of most of the big codes to a 3-month term. Clarification of policy here may lead to enactment of future codes for the 18-month duration of the Recovery Act, particularly if the President makes the conciliatory gesture, expected in some quarters, of saying that no code changes promulgated by him will go into effect before they have been formally accepted by the industry concerned.

Fewer But Bigger Codes

NRA fashion note—Little codes for each little subdivision of an industry are passé; broad codes will be much worn this fall and winter. It's an old policy brought up to date to meet the needs of the fast-changing situation.

WASHINGTON—Codes tailored broad enough to cover wide sections of industry are stylish and will be much worn this fall and winter. NRA endorses the fashion, spent this week promoting "basic codes" for groups of related industries. It is provided that supplementary codes may be filed later to take care of minor variations.

One big job of the week was grouping the entire publishing field—save newspapers—under a single code. Hearings will begin Sept. 18 before Dr. Lindsay Rogers, deputy administrator. The basic code is labelled "Commercial Printing, Publishing-Printing and Printing Industry (Including the Graphic Arts)," and includes the codes of the following industries: book manufacturing, text book publishing, city directory, periodical publishing, play publishing, advertising newspaper, loose leaf manufacturing, label manufacturing, lithographing, photo-lithographing, music printing, ticket and coupon manufacturing, security engraving, photo-engraving, electrotyping and stereotyping, typesetting, advertising typography. This bunching of the codes is not being accepted without protest. The opening of the hearings on Monday will show dissension the minute the first clause is read.

Johnson's Original Idea

The plan to group industries "according to similarity of employment problems" is not new. It was advocated months ago by General Johnson, and has been done in other groups, as in the metal-working trades, and in the machinery group. This week the hearings were completed in the construction industry, where 9 separate groups were combined: general contractors, architects, master painters, electrical contractors, marble, plumbing and heating, heating and piping contractors, cement gun contractors, building granite. As in the Cotton-Textile Code, other groups will be needled into the list. Throughout the coming weeks, every code which bears close resemblance to other codes related to its industry, like those in the textile groups, will be slipped in under the approved codes by executive order.

There were 29 coal codes submitted; the Administration wants one, probably will have to permit 5 or 6. The retail code, which at first eliminated drug and food stores, now includes both classifications and covers a vast field of employment. The process is continuing, accelerating. The report that there might be 300 codes, finally, instead of the 5,000 estimated in June, the 2,000 filed or registered before Labor Day, and the 700 now in hand or due, seems likely to be verified. Compression is the rule in the number of codes, expansion in the fields they cover.

14 Hearings a Week

Meanwhile, hearings are being speeded up, 14 started this week, 15 were early scheduled for next week. Hearings are being shortened still more, however, more work being done before the hearings in private sessions with the deputy and his assistants, difficulties ironed out and inserted by voluntary agreement, and without argument when the hearings are held; labor provisions now are being worked out in this way in almost all codes.

The significant part of this drive for clearing up the situation and getting industrial codes into early operation is that it clears the way for supplementary codes or for revisions of the codes as approved, to take care, in a leisurely way later on, of the details of trade practices and differences of trade conditions of the industries. It verifies the plan originally laid down, and neglected for some weeks, to get basic codes through rapidly, leave adjustments to the Code Authority and revisions to the industry.

Schedule of Hearings

Hearings set for next week include such important industries as: publishing and printing, Sept. 18; motor vehicle retailing, Sept. 18; agricultural implements, Sept. 20; radio broadcasting, Sept. 20; can manufacturing, Sept. 20; newspaper publishing, Sept. 22; periodical publishing, Sept. 21; scientific apparatus, Sept. 21; funeral supply manufacturers, Sept. 19; office equipment, Sept. 21; limestone, Sept. 19; valve and fittings, Sept. 18; gas cocks, Sept. 18.

Motor Dealers' Code

Naturally, in a big-company business, the big fellows—and their dealers—get the breaks. Fixing of used car prices is most important factor in attempt to stabilize automobile selling.

THE code submitted for the automobile retailing trade by the National Automobile Dealers' Association is a perfect example of what a group can do in the way of drafting rules when it knows its own ailments.

Chief factor is the attempt to fix used car prices. The method may stir up protest from the consumer and the multitude of dealers for small-volume cars. Manufacturers of those cars, unable to support heavy national advertising, often get local dealers because of better discounts and localized cooperation. This extra margin frequently is passed on to the car-buyer through larger allowances on used cars and thereby upsets the more rigid, less liberal allowances offered by dealers of more popular cars.

The code provides that allowances shall be the equivalent of the average of the last 5 sales of a used car of identical year and model in the same area, less a 20% discount to cover handling, reconditioning and selling. Where 5 sales have not been recorded, the local dealer of that particular make of car is to determine the allowance value.

Dealers in some of the fast-selling popular cars have maintained substantially this policy for many years, not only holding their allowances down to an obtainable as-is price but often going low enough to net them a very satisfactory profit. These dealers hold that it would be in the interest of the entire industry if that policy, as now reflected in the proposed code, were made the national standard. The other dealers, who have struggled along against powerful organized competition, don't like to see their selling style cramped, argue that to submit to such limitations will eventually put all the smaller car manufacturers out of business.

Those familiar with conditions in the dealer field admit that the used-car allowance has been a great problem which deserves to be straightened out through codification, but they also grant that the dealers for the less popular cars have a real case but are outnumbered.

With big manufacturers dominating the business, the code inevitably favors big-company dealers. One veteran called it a code for the benefit of the manufacturers rather than the dealers. There is no mention of manufacturer-dealer relations, the contract-cancellation philosophy for which former dealer-leader Vane fought and died, figuratively speaking.

There is other evidence that the dealers' code is really the retailing end of the manufacturers' code.

Old timers point out that many manufacturers, dissatisfied with regular dealer representation, especially in rich areas, have gone into retailing their own cars through openly established branches or unadvertised purchase of going agencies. Their experience since has shown them that discounts ordinarily earned by dealers, particularly outside the metropolitan centers, are entirely insufficient to support the high-pressure sales effort demanded by conditions. They are reluctant to relax that pressure or to endanger their competitive position in their price class by making increases in list prices which would give dealers a better break.

Hence the insistence on used car price stabilization which gives dealers a chance for profit at the other end.

Low-Cost Selling

Critics also cite the extremely low minimum drawing account schedules in the code as further evidence of manufacturers' influence. Low drawing accounts soften the risk of mass selling through large sales forces, keep sales investment down. Salesmen under the code are "unrestricted as to hours," need be paid only $10 a week in towns of less than 2,500 population, only $17.50 in cities of over 500,000.

Members of the dealers' association say that whatever happens to the code as presented, they have F. W. Vesper, Buick dealer of St. Louis, to thank for having whipped the organization into action and agreement when its disbanding seemed inevitable. After the dramatic resignation of C. A. Vane, longtime secretary and leading spirit of the organization and his spectacular indictment of the trade, the group split into many different factions. Vesper, incidentally, was one of the few humans honorably mentioned by Vane in that farewell blast at trade evils.

Wide World

SILK STRIFE—When United Textile Workers (A. F. of L. affiliate) announced a picketing party at New Jersey silk-dyeing plants to impress code-makers, the rival National Textile Workers Union saw a chance to regain prestige, staged a "terroristic" demonstration the day before. Police broke it up with tear gas.

Associations

Some business organizations that haven't come up to NRA hopes got a bad start.

WASHINGTON—Now that the "dead cats" anticipated by General Johnson are beginning to rain into NRA headquarters, something is likely to come out about the close connection that the Capital sees between faltering confidence in the recovery administration and the Administration's misplaced confidence in the M and N drawers of the

Commerce Department's file of trade associations.

Washington confidently believes the story that when NIRA's drafters were looking for machinery to knit their code ideas into a recovery system, the suggestion that they use the trade associations was clinched by the imposing evidence of association strength crowding the M and N drawers of the Commerce Department's file of trade organizations. Exhibits M and N, as samples from the official record of industry's regimentation, first collected by President Harding's Secretary of Commerce, went even into a Cabinet meeting, it is said, to prove that we already had the set-up called for by the Administration's plans.

Just A List

Since that time, the suspicion has been growing in NRA headquarters that what looked like a picture of American industry organized for action under the trained staffs of some 2,600 national, 3,000 state and 13,000 local associations was just a list. It has almost developed into the charge that an amateur and mistaken notion that trade associations would provide the machinery for recovery and the motive power to keep it going is the real cause of the present disappointment and lack of confidence in a recovery administration built to fit that notion.

There is no question about some of the findings on which this view is based. The country's trade associations, as a whole, have not turned out to be the finely knit and smoothly functioning instruments of cooperation that they appeared to be when the Administration made its broad jump to conclusions from the live, moribund and dead names in the M and N drawers. Their officers would probably be the last to say that they ever were. For one good reason some of them have neither the backing nor the confidence of their industries, particularly where it comes to settling issues or exercising controls as important as those handed to them by the Recovery Act. Some of them were the creations of astute gentlemen who were merely out to make jobs for themselves and in no way equipped to lead their organizations along the broad lines laid out by NIRA. This has become painfully evident to NRA officials who have spent precious hours trying to pound the recovery objectives and the recovery spirit into the consciousness of these gentlemen.

Brought Up Wrong

Older hands at the association game are not surprised or greatly pained at what Washington sees as evidence of the trade associations' impotence and lack of cohesion. They are quick to make the point that the trade associations have too often been regarded by the government chiefly as potential culprits under the anti-trust laws and kept in a state of lethargy because members have been unwilling to take chances on activities that might come under condemnation. On this attitude they blame the fact that some associations found weak leaders or professional place-holders sufficient to their necessities. Remembering their history, they are not astonished that the typical organization "wheel-horse" saw in the news of the Recovery Act merely an announcement that "the lid was off" and, thereupon, proceeded to steer himself toward a "czardom" and a fat salary, on the basis of a code that would button his group into a snug price- and profit-fixing combination. Washington has been full of gentry who have let their repressions go with a whoop.

Some of them have been doing a good deal of hard thinking since, but, in many cases, this hard thinking has been done by heads of member companies who played very little part in the old-line associations—with the result that there has been a sudden increase in the rate of turnover among professional association secretaries, and a gradual fading of the old type of back-slapping association president.

Coal

Delay in building a code for the bituminous coal industry is not due purely to cussedness. There are problems more complex than outsiders can appreciate.

Predicting when a bituminous coal code will be signed has become one of the favorite indoor sports of tired newspaper men. For several weeks, NRA intimated, reported, and threatened that a coal code would be ready within the next 48 hours. Administration officials did draft one code and then destroyed it before anybody but 750 newspapers on the NRA mailing list had seen it. NRA finally sent up a trial balloon in the way of a suggested code Sept. 7, but it ran into such strong headwinds of objection that it was promptly hauled down for repairs. On Tuesday of this week the coal operators were asked to name a committee to assist NRA in the overhauling job.

The first code submitted by a producing district was filed with NRA July 1. Hearings on the 30-odd codes and supplements which finally accumulated began Aug. 9 and ended Aug. 12. The delay in reaching a final decision is not born of virgin cussedness. Part of the delay is directly attributable to the widespread diffusion of coal deposits and of ownership, to markets built up on wage- and freight-rate differentials, and to the absence of any one organization in a position to speak for the industry as a whole. Responsibility for part of the delay must be laid on NRA's doorstep.

Bituminous coal is mined in 30 states; trade customs, wage rates, freight differentials, and natural operating conditions have split the mining fields in these states into over 90 separate districts. Some of these districts have operated under contracts with the United Mine Workers of America for a generation; some have had only the sketchiest of union relationships or none at all; still others have broken from union domination only after sharp and expensive battles.

Each district is keenly jealous of its status and will pay thousands of dollars to lawyers and rate experts to defend existing rate structures or to seek a more favorable adjustment. The war over the relationship between rates from mines south of the Ohio River and mines north of that stream on lake-cargo coal, for example, has been raging for 20 years.

Fear Bred Caution

This situation—with 4,000 companies operating 5,600 mines—helps explain the multiplicity of coal codes filed. Many of the sponsors felt that anything which might change their relative position in the national picture menaced their business life. Outsiders may sneer at these apprehensions, but to the men who have their personal fortunes sunk in a particular mining district and who caught none of the rich crumbs from the banquet board of the New Era, these fears are very real. So they plead earnestly with NRA that nothing be done which will deprive them of any advantage they may have. In one or two cases, they make veiled threats that court action will be invoked to protect "their rights."

The speed with which organizers for the union swept through open-shop strongholds as soon as it was apparent NIRA would be placed on the statute books also complicated the situation for the operators. From the peak of its power in 1922, when 65% of all bituminous tonnage was mined under union contract, union control had been slipping until at the beginning of this year 20% probably would have been a generous estimate. But since June 7, by campaigns which sold the workers the idea that it was necessary to join a union to gain the benefits of NIRA and, in some cases at least, represented the law

Wide World

NON-MEMBER—No Blue Eagle hovers over the Ford factory, but workers enjoy increased wages, production continues strong while the NRA watchfully waits.

as a mandate from the President to join up with organized labor, the United Mine Workers regained lost provinces in central and western Pennsylvania and in eastern Ohio and penetrated the mountain fastnesses of Kentucky, Tennessee, and the Virginias.

One effect of this campaign was to widen the breach between operators working under union contracts and operators whose men had signed up with the union but who not recognized the United Mine Workers in wage negotiations.

Common danger from union control brought the hostile Northern and Southern states in the Appalachian region into agreement to appear before NRA with a single joint code. Union operators permitted union officials to sit in with them in the framing of a code which the sponsors offered as applicable to the industry as a whole. Alabama, bitterly non-union, insisted upon playing a lone hand. Western Kentucky, union until 1924 and since then a thorn in the flesh to union competitors in Illinois and Indiana, also filed a separate code. Even union fields were not a unit—both Indiana and Iowa declined to joint in the same code as Illinois because they feared acceptance of the wage bases would work to their disadvantage.

Back of all these divergences was the struggle of competing fields in an industry much overdeveloped and suffering in increasing measure both from greater efficiency in consumer use of its product and from competition from other sources of energy to maintain their places in the sun.

NRA's share of the responsibility for delay was twofold. Faced with the fact that unionization, in so far as enrollment of the workers was concerned, had been achieved and aided by the White House, NRA put pressure upon the non-union operators of the Appalachian region to meet with officers of the United Mine Workers in the negotiation of joint wage scales. By that strategy, NRA was relieved of the delicate task of fixing wage differentials since it could adopt those named in the contracts to be signed and it also sought to forestall an epidemic of strikes over union recognition after a code had been signed. The strategy is good, but wage negotiations are time-consuming—especially where new relationships must be worked out by parties unfamiliar with union psychology.

Bad Coordination

Unfortunately for the cause of celerity, the policy adopted by NRA on actual code-making while these wage negotiations were getting under way did not promote speed. When the coal men were reassembled after the code hearings were over, each group sponsoring a code was asked to name a small committee to await summons from NRA officials for further discussion on the code situation. But no attempt was made to combine these separate committees into one joint body to thresh out differences of opinion in joint conference. Instead, these smaller groups met with NRA officials either by invitation or intrusion and, in some cases, they were left to stew in hotel rooms for a fortnight without a word from NRA headquarters.

With individual coal operators officially left in the dark as to NRA activities and compelled to buttonhole newspaper reporters "for the latest dope," progress towards a reconciliation of deep-seated differences naturally has been slow.

Pacific Coast Likes NRA

Codes are raising whole country closer to Coast wages, narrowing Eastern-Southern competitive advantages.

THE Pacific Coast reads with enthusiasm of the developing NRA program, finds in it increased hope for industrial expansion there. In the banning of child labor, the raising of wage scales, elimination of sweated labor, and a reduction of hours business men there find special reason for renewed confidence in their industrial future. With higher standards for industry they sense a more equitable plane of competition for the Pacific Coast which has long had minimum wage laws, stringent regulation on the employment of women and children in industry, and a shorter work week than other sections of the country.

Of paramount importance to the Coast has been the abolition of child labor, practically unknown in this section where compulsory school attendance, labor regulation, and high wage scales in the major industries have combined to make it economically unprofitable and almost impossible legally. But in its drive for industrial expansion the Pacific Coast has had to compete with other regions of the country where this factor has made for lower manufacturing costs. The 130 Census reports that the manufacturing and mechanical industries of the Pacific Coast in that year employed fewer than 1,000 persons between the ages of 10 and 15. In the South Atlantic area, with less than twice the population of the Coast, the same group of industries

Business Week

SINGING SIGN—Cajoling fountain patrons with radio music while it reminds them of "The Pause that Refreshes," this giant Coca-Cola bottle does double duty. In its shiny scarlet case, molded of General Plastics' Durez, is a 5-tube Crosley chassis. Crosley sells it; Coca-Cola cooperates.

employed 20,000 workers of that age. New England with approximately the same population as the Coast employed 9,000.

In the shorter work week, the Coast also finds increased satisfaction with the NRA program. In 1929, according to the Census of Manufactures, only 21.8% of the factory wage earners of the Pacific Coast were on a work week of more than 48 hours. In the Southern states approximately 70% were employed in excess of 48 hours. The national average for factory employment in excess of a 6-day week of 8 hours a day was 53.5%. The Pacific Coast figure was the lowest of the 9 geographic areas of the country.

The higher rates of pay fostered by the codes and the President's Reemployment Agreement also work toward a more equal basis of competition between the Pacific Coast and other sections of the country. Sweatshop curtailment removes a condition of competition which has never been a part of the industrial structure of that area.

All these developments provide increased hope for industrial expansion on the Pacific Coast at a time when more factories are a real necessity in strengthening its economic structure. In the 1920-30 decade the Pacific Coast showed a population gain of 2,627,000, an increase of over 47%, while the national rate of growth was about 16%. Most of this great wave of migration was absorbed by the large cities—the Coast now has 9 of over 100,000 population. In the aggregate they represent 40.7% of the area's population.

So far the industrial progress of the Coast has been principally along the lines of converting its native products. Lumbering, canning, petroleum refining, and similar industries have expanded while iron and steel, textiles, boots and shoes, automobiles, and many other major industries are of only minor importance.

The gist of the situation is that the cities of this section have grown rapidly; the factory payrolls have lagged. A comparison of data from the Census of Manufactures tells the story. Between 1919 and 1929, when labor was being displaced by machinery throughout American industry, the ratio of factory wage earners to population declined by 15.4%. With a rapid population increase and a slower industrial development on the Pacific Coast the ratio of factory workers to population dropped 26.4%.

"Synthetic" Carpet

General Johnson's plant, no code violator, makes a unique product.

HUMAN nature being what it is, most newspaper readers got a grin out of Gen. Hugh S. Johnson's embarrassment when Lea Fabrics, Inc., Hugh S. Johnson, president, was cited for violating an NRA code. Their amusement was short-lived; the company quickly cleared itself. But the incident brought into the momentary spotlight one of the country's unique factories.

Lea Fabrics once was the Duratex Co., which for years made an imitation leather. It passed into the hands of John N. Willys, and passed out again when Willys suffered his first smash. Eventually, Bernard M. Baruch picked it up, which explains Johnson.

"First Synthetic Fabric"

In 1931, the company, under its newer name, began commercial production of a new kind of carpet, hailed 2 years ago as "the first synthetic fabric." Today, it concentrates on this single product, carpeting for automobiles.

The process is highly ingenious. It manufactures a genuine pile carpet without weaving or even spinning. Cattle, goat, or kid hair—tougher and cheaper than wool—is cleaned, dyed, and carded. It comes from the card in a thin, broad layer, to rest on the surface of a 12-foot steel drum. In this drum are slots, running horizontally, the length of the cylinder. Knife-like blades stuff the loose film of hair into these slots, so that the cylinder carries a series of rows of loops. These loops are coated with rubber cement to the depth that they protrude from the slots. Then the cylinder carries them to a fabric web, also coated with rubber cement. The loops are pressed against this matrix, and vulcanized to it. The slots release the loops, and there is the carpet, needing only to have the loops slit to make pile. Shearing and brushing complete the continuous process.

Cannot Ravel

Ellery Files, vice-president and general manager, describing the process to a chemical society, said it produced carpet at the rate of 200 sq.yd. an hour. The carpet stands the terrific wear of automobile usage. Moreover, since it cannot ravel, it can be cut at any point, needs no binding.

The recent revival of automobile sales has pushed the plant, in Newark, N. J., to long hours to meet orders. Accused of cutting wages and shortening hours, Mr. Files said the plant had paid 40¢ all through the depression, when men could have been had for 25¢ or 20¢, that the NRA code had added 15% to its labor cost, even though the process is one that is highly mechanized.

What a Code Costs

Southern Pine Association's code enforcement bill and set-up illustrate industry's new administrative job.

A COLD million dollars a year is what the Southern Pine Association, one of the 16 divisions and 21 subdivisions of the lumber industry, expects to spend in the administration and enforcement of the lumber code within its particular field—a territory of only 16 states. Those familiar with the problem in the Southern states and also with the code say that amount is none too large. Lumbermen in other divisions of the industry wonder how much they are going to be taxed.

Cost of a Code

When the lumber industry first brought home its prize-package in the shape of one of NIRA's most comprehensive, well-armored, heavily spiked fair practice codes (*BW—Aug26'33*), probably few if any of its proponents had stopped to count the cost that may be involved in its administration. They had been too much interested in jockeying for better provisions on production control, quotas, cost "protection" and in numerous other ingenious and complicated stipulations, to bother about the price they might have to pay if they really wanted to collect on the paper protection of the code.

When it looked as if the lumber code was going to be signed by the President, the Southern Pine Association began to prepare for its task of controlling its field which under normal conditions includes approximately 5,000 small mills and a number of large operations. It had to treble its headquarters staff and create a field force of 40-odd experienced lumbermen to initiate the various operators in what is required from them under the code.

Operations Details

Those field men will eventually operate in 28 local districts, each sufficiently well-manned to keep a continuous and close check on all operations while a control committee and an administrative committee, functioning at headquarters, will supervise all activities under the code, including production, prices and trade practices. In addition, each state will have a supervisor in the field to check and double-check what goes on in the mills.

Production of southern pine lumber in 1931 amounted to 4.4 billion board feet, represented approximately 25% of the country's total lumber production of 16.5 billion feet of all species. Perhaps no other branch of the lumber industry has more serious problems and none has as large a number of small operators. Lumbermen interested in other species insist that no other branch will have to spend as much money on administration of the code. They admit, however, that in those cases whatever amount is spent will have to be paid by a much smaller group.

In the Southern Pine Association's activities a budget of $1 million would mean an assessment of 25¢ for each 1,000 board feet of lumber cut, on the basis of 1931 production. As production declined, that ratio would have to be changed. If other branches of the lumber industry attempted similarly comprehensive administration and enforcement of the code provisions the pro-rata charge per 1,000 board feet would be probably considerably higher as, with the exception of douglas fir and ponderosa pine, their production is drastically below that of southern pine. Even when averaged on the basis of 25¢ per 1,000 b.f. and 1931 production, it would cost the lumber industry as a whole well over $4 million to administer its code. Increases in output, due to improved conditions, probably would demand an increase in the rate because a large number of small operators must be expected to start up as soon as prices get better and demand grows, thereby increasing the problem of code enforcement and its cost.

Steel Prices

Big mills don't like the howls of the little fellows for still higher prices to cover their higher costs. Not all steel increases are visible.

REVOLUTIONIZED in recent years by general adoption of the continuous mill process, the flat-rolled steel industry looked forward to the time when it would reap the benefit of economical operation and the old hand mills would be out of the picture.

This highly mechanized process, which has doubled sheet and strip production and materially lowered costs, has naturally favored the big, self-integrated mills, left smaller steel companies, which had to buy semi-finished steel in the open market, at a disadvantage.

"Guaranteed" Profits

These high-cost mills take the NRA as a sort of guarantee of existence, a more or less official underwriting of profits, regardless of special advantages in equipment or location. All they need are steel prices sufficiently high to offset their natural disadvantages.

By yelling for still higher steel prices in the fourth quarter of the year, they alarm the big fellows, who feel that present increases are quite sufficient for the time being, that if steel prices are boosted too rapidly, the code's price-fixing might easily turn out to be a boomerang.

Present prices, up $4 to $12 a ton, with the biggest increases in flat-rolled products, by no means represent all the increases which steel users will have to pay. Under the code, jobbers and automobile makers may no longer buy at the traditional $4 to $6 under the market; large consumers (and small ones in times of stiff competition) must now pay for their "extras." Even where prices have not visibly advanced, big users of bars, shapes, and plates must be brought up to card rates, pay $2 to $4 a ton more than in the recent past. Small users, taking less than a ton up to 3 tons, must pay quantity extras of $1 to $10 a ton.

No More "Fordsteel"

Also banned by the code is so-called "overgrading"—selling a better product than specified without the customer paying a premium. Ford, for example, has economized by purchasing hot-rolled pickled and deoxidized sheets instead of cold-rolled sheets for bodies. The material came to be known as Fordsteel, and steel makers with large cold-rolling facilities who feared its use might spread to other makers are now much relieved.

Steel users, who have to take and like the one-price policy which makes a Ford buying 50,000 tons of steel pay the same rate as the alley shop using 10 tons, react differently. Chrysler has given releases against third-quarter contracts at old prices, buying over 100,000 tons to cover most of fourth-quarter requirements. Ford, on the other hand, buys only what is needed, refuses to get excited over the revolution in steel since NRA.

Steel "Seconds"

Mills talk of curing "seconds" sales by selling direct, eliminating the influence of the broker.

ONE practice not specifically mentioned in the steel code which the steel industry is trying to correct internally is the sale of "second" sheets. In most cases, mills have refused to sell "seconds," as such, to consumers, have disposed of them to brokers, at reduced prices, who sell them to consumers. As much as 150,000 tons of "seconds" a year have been sold in Detroit.

One plan is to dump all "seconds" into the open-hearth furnaces to be remelted, but this is thought too costly to be practical. Another idea, more seriously considered, is to sell "seconds" directly to consumers, thereby control-

ling their sale and cutting out the broker as a disturbing factor in the market.

Some amusing stories are chronicled about "seconds." One concerns a motor car manufacturer who wanted to buy some direct from the mill. The mill refused, sold them to a broker (at a lower price, incidentally) who promptly sold them to the motor manufacturer, turning a neat profit. Which is why mills wonder what price brokers.

Automobile Unions

Motor code spurs labor to new organizing efforts. Chevrolet answers protest with works councils.

THE charges sent to President Roosevelt by employees of the St. Louis assembly plant of the Chevrolet Motor Co. that over 100 employees had been discharged because of union activities brings into the open the struggle against unionization in the automobile industry. The employees asked that Chevrolet be denied the Blue Eagle insignia.

Chevrolet officials denied dismissing union men because of their union affiliations, said that temporary layoffs have been made due to lower assembly schedules this month than last. However, they admitted that over 60% of the employees of the St. Louis plant are unionized. It has been impossible to ascertain with any degree of accuracy what progress the American Federation of Labor has made in its Detroit drive, but it is privately reported in Detroit that the campaign has been more successful than automobile magnates like to believe

The adoption of the automobile code, with its apparent setback to labor, has stimulated fresh action by labor leaders. Mass meetings are being held in all automobile producing centers. Automobile manufacturers are expecting that, as seasonal demand tapers and men must be laid off, there will be more labor protests like the one from St. Louis.

The Chevrolet Plan

Chevrolet is trying to counteract the union drive by launching an employees' association and a works council in its plants in 13 cities. By secret ballot on company time and themselves handling all the election machinery, members of the association will elect representatives to the works council. The council will meet privately with the company represented only when requested. Matters affecting all plants will be referred to a general works council committee consisting of the chairmen of all the works councils meeting in Detroit. Membership in the association is limited to employees 21 years of age, citizens of the United States or having first papers, in the company's ranks for at least 90 days.

Automobiles in August

Motor makers, still astonished at the strength of their market, postpone new model hopes to cash in on present production. August was good for all, best yet for Ford.

AUTOMOBILE makers who figured their belated boom would quiet down in August were pleasantly disappointed. August sales, which "equalled or slightly exceeded sales in July," according to Polk's bulletins, crowded production to a point not far below July, forced manufacturers to put off plant vacations and turn back from new model futures to current business.

August production of the members of the National Automobile Chamber of Commerce totalled 171,145 units, 213% over the output in the corresponding month of 1932, and only 3.4% below the preceding month, a seasonal decline smaller than any since 1929. N.A.C.C. member production for the 8 months of the year totals 1,153,402 units, compared with 793,655 for the same period of '32, an increase of 45%.

All of which, of course, does not include the activity of the unnamed (in the N.A.C.C. report) motor maker of Dearborn. A Ford bulletin says August was the best month of the year to date and September is scheduled "at the same high daily rate as in August."

Figures are shrouded in the customary Dearborn darkness, but an arithmetical detective might deduct certain facts from the single percentage given. Retail deliveries, best of the year, were "41% greater than in August, 1932." In that month, the vigilant Department of Commerce reported production totalling 90,324 from all manufacturers. Subtracting 54,666 units made by members of the N.A.C.C. leaves 35,658 units presumably made by the lone nonmember, Ford.

Granting that sales and production are practically synonymous in these hand-to-mouth days, Ford's August units totalled 50,278 and the 3.4% drop below July for N.A.C.C. members is shaded a little.

Chevrolet's August production declined 8% from July, but the total of 73,433 units confirms leadership, no matter what kind of bodies are on the cars. At that, Chevrolet's August was 204% better than August of last year.

Sales of Pontiac, Oldsmobile, and Buick reflected the same reversal of trend. Full month totals are not available, but figures for the first 20 days are indicators. Pontiac sales were 193% higher, Buick sales 166% higher, than the corresponding 20 days last year. Oldsmobile did better by 20% in the first 20 days than in the whole month of August last year; sales on the radically changed models up to the last of August exceed the sales for all of 1932.

Chrysler had its peak week in August. Usually its August sales are 25% below the May peak; this year, August is 55%

Business Week

DIGGING IN—As the automobile code goes into effect, Walter Chrysler breaks ground in Detroit for a new administration building for De Soto and Chrysler. On the shovel, left to right are Chrysler Senior and Junior. Under the NRA flag, Ledyard Mitchell, Chrysler Export president; J. E. Fields, president, Chrysler Sales Corp.; Byron Foy, president De Soto Motors.

above May. Sales of all Chrysler cars average about 4 times those of last year.

The astute Mr. Schoville, Chrysler statistician, thinks this year will run about 1½ million cars for all makers, which would put 1933 sales between 1932 and 1931. It is interesting that rural buying is picking up in time to offset the losses in urban buying in recent weeks.

As a result of the belated business, manufacturers are in no hurry about new models. Ford is still gathering momentum and the much talked of small car seems destined for much later introduction, maybe next spring, when a lower price will make a bigger noise. Chevrolet is expected to roll out the present line well into October. Pontiac will not wind up on the present series until that time.

New model talk in the trade takes a price rise as a certainty. Increased materials costs, increased manufacturing costs under the codes are the factors. The difference between new cars and old cars already being considerable, it is doubtful if forthcoming models will be very much changed. Principal feature of the future seems to be independent wheel springing, long used abroad, which leads eventually to lighter frames and lower costs. Many important makers are considering it for the 1934 models. Buick, credited with the pioneering, is due this fall.

Oats

The oat crop plus carryover is less than depression consumption, yet prices are low. How long can that last?

NOWHERE in the whole picture of agriculture is the relation of price and supply so far askew as in the oats market. The September crop report slightly increased the estimate of the oats harvest to 688 million bu., which compares to an average of 1,210,000,000 for the last 3 years. The carryover from last year's crop was abnormally high, at 230 million bu. Adding the two indicates a supply of 910 million bu. at the end of the crop year. This is almost 300 million bu. less than the average consumption of the last 3 years, and those were depression years.

What troubles George Peek and the AAA is that in such a situation the oats market has been lagging between 35¢ and 40¢ a bushel. In 1925, when the supply was much larger than it is today, oats sold at $1.29 a bushel, and that was just the beginning of the late period of inflation. The yield this year is estimated at 18.6 bu. an acre, which is almost 2 bushels lower than the previous low record found in the archives of the Department of Agriculture. Fur-

Keystone

"NOW AS FOR WHEAT"—Secretary Wallace and Frederick E. Murphy, American representative at London wheat conference, talk over wheat reduction plans. Since the conference, the AAA has announced export subsidies for 30 to 35 million bushels from the Pacific west. This wheat will be sold at world prices mostly in China, Japan, Ireland, Spain, Portugal, the Philippines—at 15¢ to 20¢ below domestic price. Loss will be covered by the 30¢ a bushel processing tax.

thermore, the average bushel coming in from harvest has seldom been lighter. A large part of this crop is so scrawny that it is not deliverable on contract.

There have been few occasions in the history of agriculture when the total supply of a crop at the close of harvest was less than the year's consumption. Such a situation in most commodity markets would bring about extreme advances in prices. The oats market, however, depends to a considerable extent on the supply and price of all other forage crops. Here again the relation between price and supply seems to run contrary to past experience. The total of forage crops is abnormally low. In spite of an unusually large carry-over of corn and oats, the supply is well below the 5-year average. An accompanying shortage of barley and hay makes the market position of oats almost unique.

This situation in the grain markets is given as an explanation, in part at least, of the failure of quotations to rise in response to intimations by Secretary Wallace that real inflation may be resorted to in the near future. The belief seems to be general that the Administration proposes to wait a while longer before taking drastic inflationary measures in the hope and belief that the strong technical position of coarse grains must bring about higher prices without resort to artificial stimulation.

Farm Troubles

Adjustment programs are not clicking. Parity prices are slipping. Credit Administration is working fast and is likely to help considerably by easing credit lines.

TROUBLE is brewing in the stubble fields. Wheat is harvested but dollar wheat is no more. September delivery scarcely brings 81¢ in Chicago. On the other hand, commodities that the farmer buys have risen. Actual figures don't show much of a rise but the few items that have gone up, together with recent declines of farm products, make the farmer feel that he is not getting what has been promised him. In consequence farmer criticism of the AAA is beginning to reach Washington. Farmers say that while their income will be larger than last year their outgo also has risen, hence their visions of reestablishing the Arcadian parity of 1909-14 is gone.

Similar discontent is developing in Dixie. The cotton adjustment program has gone askew. Nature frustrated the calculations of statisticians who figured that an acreage reduction of 30% would usher in the Utopia of 10¢ cotton. The reduction program averted a first-class price débâcle that might have sent cotton to less than 2¢ a pound, but nature, by inflicting on the South the most favorable weather conditions for more than a generation, neutralized much of the acreage reduction by the large yield per acre.

Nor are the hog farmers in the corn belt particularly happy. They deluged the stockyards with pigs and sows which were to be sacrificed on the altars of adjustment, sprinkled with sweet smelling bonus payments. But now it appears they were holding back piggy sows and thus endangering the entire program with the probability of a surplus next year.

Milk Troubles

More trouble is developing in the milk sheds. Four milk marketing agreements have been signed. Two are in the courts; one has been sustained and the AAA is testing its licensing powers. The farmers' milk prices have been increased, but the distributors' margin also is wider. This is hard for farmers to understand; they were told that the objective was to narrow the distribution margin. Moreover, the age-old problems of adjusting prices to seasonable production, of classifying milk as to quality, butterfat content, bacteria, and allocating differentials in consequence of distance to market are all with us. The Adjustment Administration has been unable to work a miracle, to rub Aladdin's lamp and rub away farm problems.

To be sure, the program of the Adjustment Administration is practical enough and in the long run should benefit the farmer. The Administration is moving as rapidly as conditions permit, and is realistically meeting the problems which confront it. But the weed of impatience flourishes in the open country. With irate legislators ready to come to Washington after Christmas, legislators whose plea for patronage has been ignored and who would welcome opportunities to embarrass the Administration with complaints real or imagined from home, the situation is ticklish. Secretary Wallace is beginning to feel the pressure of this discontent. He must prepare to meet it, possibly by the creation of a Farmers' Advisory Council which would be an outlet for farm discontent.

Farm Credit in High

The Farm Credit Administration continues in high gear. It is now estimated it will lend between $25 millions and $30 millions in September and by January from $200 millions to $250 millions will have passed directly to the farmers through the Federal Land Banks and Commissions.

Much of this money will be used to clean up collateral debts as well as mortgages, and therefore it will ease tremendously the credit situation in the

rural communities. Banks, financial institutions, and individuals that have been carrying farm paper will particularly benefit.

On the other hand the Credit Administration does not propose to make any false steps. For example, in 21 closed banks in New York only $268,000 of first farm mortgages were found eligible for refinancing. The 64 closed banks of New York State have $2.8 millions in first mortgages of which about $1.3 millions are held by the 21 banks covered by this survey.

The Federal Land Banks, under the recent emergency legislation, may lend up to 50% of the appraised normal value of farm land, plus 20% of the insured permanent improvement. But loans by the Farm Loan Commissioner may not exceed $5,000 to any one individual and the amount so lent, together with prior indebtedness against the property, may not exceed three-fourths of the appraised normal value of the property.

The latter qualifications and over-lending in the past on some New York State farms are held responsible for the ineligibility of large mortgage holdings by the banks to participate in the federal financing program.

Ickes Boomerang

Public Works Administrator's charge of "dilatory tactics" by states and cities brings attack on federal red tape, followed by moves to speed up allotments.

SECRETARY ICKES' statement shoving the responsibility for delay of the public works program on the "dilatory tactics" of states and cities has caused considerable resentment. So much so that Henry M. Waite, Deputy Administrator, went on a tour of the country this week to drum up projects. Required to comply with elaborate procedure that has been set up for the handling of projects, local bodies point out that they are expected to act instanter, while the PWA in Washington has consumed 3 months in setting up its organization.

The decision of the Ickes' board to make tentative allotments on a prima facie showing that a project is desirable has somewhat quickened the flow of proposed projects through the state organizations to Washington, but it will probably be impossible for many towns to prepare a complete presentation of their case within the 30-day period following the board's tentative action. It is understood, however, that this period will be extended where there are extenuating circumstances.

Technical Board Named

Appointment of a technical board of review to consider particularly difficult or controversial projects and to hear appeals is another step forward in completing the PWA organization. The review board will consider projects adversely reported by state boards or the staff in Washington which, in the opinion of Deputy Administrator Waite, warrant review; projects protested by outside parties when such protests are regarded as serious by Colonel Waite; and projects approved in principle by Colonel Waite which are of unusual size or character involving questions of engineering, finance, or law that, in his opinion, warrant collective consideration. Col. Carey H. Brown, director of the Rochester (N. Y.) Civic Improvement Association, is acting chairman of the board of 12 engineers who will serve on a per diem basis.

The first battalion on local projects forced their way through the PWA organization this week—11 small waterworks and sewerage projects, 2 bridges, and 1 street repair program, for which allotments by PWA totaled $3,619,180. (President Roosevelt once visualized $1 billion of local projects in his public works program.) On 3 projects, PWA made a grant only as the applicants were able to cover the remainder of the cost without borrowing from the federal government. The First Taxing District of Norwalk, Conn., obtained a 30% grant of $75,000 for waterworks. Without the grant the project probably would not have been undertaken at this time. St. Paul, Minn., will get a 30% grant of $87,180 on a program of street improvements. The state of New Hamshire obtained a 20% grant of $220,000 for 2 bridges.

A Sharp Contrast

The procedure and forms required by PWA with reference to local proposals present a sharp contrast to the free hand with which millions have been allotted for federal projects on which engineering studies have not been completed. Many towns apparently are being forced to retain consulting engineers. This has led to criticism that is not mollified by comment at PWA that the projects which have been presented in good shape and are going through fast are those which have been prepared by consultants. Cities seeking legal advice with reference to their authority to participate in the public works program will receive assistance from the American Municipal Association.

Globe

THE PAY-OFF—Secretary Ickes (center), Public Works Administrator among other things, hands the first pay check from the $3,300,000,000 appropriated by Congress to Stanley Pendleton, laborer on a highway project in Washington. Thomas H. MacDonald (right), chief of the Bureau of Public Roads, looks on.

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Public Works Catechism

What you need to know to help your town reach for improvements, jobs and buying power via the PWA.

BUSINESS men are asking questions on how some of that public works money released under Title II of the National Industrial Recovery Act can be put to work without loss of time in their towns. Here are the answers they are getting, compiled from official references or after consultation with PWA officials.

Q. Must complete detailed plans and specifications be ready before project can be passed upon by (a) state engineer, (b) state advisory board, (c) Washington? A. No. Tentative allotment will be made on prima facie showing that project is desirable, is satisfactory from an engineering standpoint and can be financed under the law, such allotment to lapse unless a complete presentation by applicant follows in time to permit execution of final contract within 30 days. The prima facie showing must be sufficiently comprehensive to permit intelligent study of the project by the state organization and the staff at headquarters.

Q. Must financing plan be complete for above consideration? A. The method of financing proposed by applicant must be fully outlined; it need not be completed.

Q. Will competing utilities be approved? (a) Light and power plants, (b) waterworks? A. Such applications will be considered on their merits by PWA. Both President Roosevelt and Secretary Ickes, Administrator of Public Works, have stated that municipal electric projects will receive sympathetic consideration.

Q. What is the maximum amount of the outright grant by the federal government? Will any 100% grants be made? A. Thirty per cent of the cost of labor and material; the remainder of the total cost of the project will be loaned only. The grant is limited to a maximum of 30% by law.

Q. Will a 30% grant be allowed in every case? If not, what are the considerations that will determine the amount? A. In the vast majority of cases, the full amount of the grant will be made.

Q. What character of projects will be preferred as to a grant? A. Preference is given to (1) waterworks and (2) sewer projects not involving an undue burden of debt and necessary to the health and convenience of the community; (3) sewage disposal projects sufficiently comprehensive to render a river or lake system, used by many communities, safe as a water supply; (4) other sewage disposal projects; and (5) other "regenerative" projects such as highways, bridges, tunnels, and electrical transmission lines into territory not now served, that tend to stimulate further projects and open new territory for homes and industry.

Q. Is a grant contingent upon other funds being raised? Can grants covering a group of projects be lumped to complete the first? A. The project must be completely financed. In all but very exceptional cases, the grant will not be paid over until the project nears completion as the amount depends upon the cost of labor and materials. Pooling of grants is not permissible.

Q. Is the rate on loans to municipalities, park, school, levee, drainage and sanitary districts to be uniform at 4%? A. The 4% rate is uniform on projects of public bodies. The United States will bid par and accrued interest on bonds. If such bonds bear interest at more than 4% the difference will be refunded.

Q. Is there a uniform rate of amortization? A. Loans must be annually amortized over the period of useful life of the project but not to exceed 30 years except in the case of projects that obviously have a longer life when the limit is 50 years.

Q. Will the following securities be eligible: Special assessment bonds, tax anticipation warrants, water revenue and sewer revenue bonds? Will all be accepted on the same basis? A. On non-revenue-producing projects, general obligation bonds are preferred. On revenue-producing projects such as waterworks, electric light plants, etc., revenue bonds will be acceptable if authorized by state law. The purchase of special assessment bonds will be considered, if authorized by state law. The PWA has expressed no opinion on the acceptability of tax anticipation warrants.

Q. Will the PWA make 100% loans on self-liquidating projects to municipalities? (The answer would appear to be self-evident but the law does not cover this case.) A. Yes. Conversely, the municipality or other public body may obtain a grant from PWA and borrow the remainder of the cost elsewhere.

Q. What public buildings are eligible for loans? A. All are eligible for loans but every project will be considered on its individual merits.

Q. Will favorable consideration for a grant, loan, or both, be given to major repair and modernization of existing public buildings and plants; to resurfacing, repair and extension of city streets; to extension of recreational facilities? A. Yes, modernization and rehabilitation of this character is in the program.

Q. What are the conditions under which (a) the federal government will undertake construction of a project and lease it to the applicant? (b) Must the applicant's bonding power be exhausted? (c) On what terms will improvements be sold ultimately to the municipality? (d) Must 100% of cost price be paid for such improvements? A. (a) Generally when there are legal limitations on the power of the applicant to borrow or when its borrowing power is exhausted but (b) bonding power need not necessarily be exhausted. To what extent this is a condition precedent to exercise of the Administrator's leasing powers depends upon the nature of the project. (c) The United States will hold title to the property until paid for its outlay (less the grant, if made) through rental or payment of cost. This will be spread over a period to be determined by the circumstances in each case.

Q. Is there any policy limiting the number or aggregate cost of all projects approved for any one state or municipality? A. No.

Q. What is the labor and wage policy on projects that are financed by PWA? A. The law specifies a 30-hour week so far as practicable and feasible on all construction projects financed by PWA. This includes both federal and non-federal projects but the 30-hour requirement has been construed by PWA to permit the hours of work provided for the several classes of labor in NRA codes. Schedules will be furnished state advisory boards and state engineers setting forth the minimum wages established by agreement between the PWA and the building trade unions for skilled and unskilled labor. The minimum rates will not apply if prevailing rates on April 30, 1933, prescribed under collective agreements are higher. Contractors may secure highly skilled or organized labor through union locals. If locals fail to furnish such workers within 48 hours, they must be obtained through local "reemployment" agencies designated by the U. S. Employment Service. As far as practicable all other labor must be selected from lists submitted by the "reemployment" agencies.

Wide Reading

THE SECURITIES BILL AND FOREIGN INVESTMENTS. W. Thacher Winslow. *North American Review*, September. Half the $15 billions of foreign investments held by Americans are in default. The new securities bill is designed to protect investors. Safeguards it provides for the future; aid that it grants to those who have already invested and are "holding the sack."

A REPORT ON COAL. Dr. Alexander Sachs. *New Republic*, Aug. 30. A report on a dying industry with brief, factual interpretation. Excellent for the executive who wants a 15-minute summary of the whole coal problem with an outline of the road to future government regulation.

WHITE FAILURE IN THE EAST INDIES. Thomas Steep. *Current History*, September. "The policy of Asia for the Asiatics, which has been interpreted by some to mean Asia for the Japanese, has gained momentum proportionate to the decline of the white man's prestige. That prestige was created by appearances—wealth, lavish living and an assumed superiority. Force is no longer applied and the Asiatics are no longer impressed by appearances—especially since the most striking is now the white man's return home, destitute."

THE SOCIAL PRICE: MANAGEMENT MUST ADJUST PRICING TO HUMAN NEEDS. Robert R. Updegraff. *Advertising & Selling*, Aug. 31. The "social price" must pay a living wage to every worker in terms of the products of his labor in exchange for the products of other men's labor. The executives of tomorrow are the men who comprehend this and are dictating policies accordingly.

ENEMIES OF UNEMPLOYMENT INSURANCE. Abraham Epstein, *New Republic*, Sept. 6. Eight states started 1933 with bright prospects for the enactment of unemployment reserve legislation—but so far there are no results. Why the bills have failed.

BOOKS

LABOR ECONOMIES AND LABOR PROBLEMS. Dale Yoder. McGraw-Hill, 630 pp., $3.50. An effort to analyze the labor situation against the background of present capitalistic system, with a view to evolving techniques to control or reduce maladjustments.

READINGS IN MARKETING. Fred E. Clark. Macmillan, 800 pp., 3.50. Revised and enlarged edition that provides a valuable cross section of thinking on various phases of marketing, much factual data, and charts of interest to a student of this subject.

THE CRIME OF CUBA. Carleton Beals. Lippincott, 408 pp., $3. An indictment of both Machado and the United States by one of the foremost authorities on conditions and intrigues in Latin America. What almost everyone has suspected in Cuba for the last years.

REPORTS—SURVEYS

UNEMPLOYMENT PREVENTION, COMPENSATION AND RELIEF: BIBLIOGRAPHY. Princeton University, 23 pp. Complete list of the best material published on unemployment. For executives who want to get in step quickly with the spirit of the NIRA.

Mortgage Relief

Bond issue puts steam behind the machinery of the Home Owners' Loan Corp.

RELIEF for distressed home owners came a step nearer when the Home Owners' Loan Corp. announced this week the issuance of 4% bonds due July 1, 1951. The corporation will function for a 3-year period ending June 13, 1936, and will exchange its bonds for first mortgages on homes or, in certain cases, make cash loans.

In extending loans the following are the principal conditions:

(*a*) Obligations to be covered must have originated prior to June 13, when the Home Loan Law was enacted.

(*b*) The property in question must not exceed $20,000 in value, based on present-day appraisals.

(*c*) The loan cannot exceed the present lien indebtedness against the property (including delinquent taxes, interest, repairs, etc.), and is limited to 80% of the appraised value if it is made in bonds. In no event, can it exceed $14,000. If made in bonds, the rate of interest on the loan is not to be over 5%. These terms are also authorized in redeeming homes lost by foreclosure within 2 prior years.

(*d*) The loan is made in cash (where the creditor will not take bonds and the situation is especially acute), it cannot exceed 40% of the value of the property, and the rate of interest charged the borrower is not to be over 6%.

(*e*) If the loan is made solely to pay taxes, assessments, repairs, etc., where there is no other lien, it may be made in cash but cannot exceed 50% of the value, and the rate of interest charged is not over 5%.

(*f*) The loan must be secured by a first lien on the home.

(*g*) The property must be occupied by the owner as a home or held as a homestead and designed for not more than 4 families.

(*h*) All loans shall be amortized within a period not exceeding 15 years, the corporation having the right to grant extensions under some conditions.

Have Wide Market

The government has subscribed and paid in $200 millions in this corporation and has authorized $2 billions in bonds. The bonds are guaranteed fully and unconditionally as to interest, are acceptable at face value in payment of indebtedness due to the Home Owners' Loan Corp., and are exempt from all federal, state, and municipal taxes, except surtaxes, estate, inheritance, and gift taxes. They are acceptable at par by the U. S. Treasury as security for government deposits and at market value to secure postal savings deposits. The Reconstruction Finance Corp. will accept them as security for loans at 80% of par. The Comptroller has ruled that banks may carry the bonds at par in exchange for home mortgages.

The security behind these bonds will be $200 millions of capital stock invested by the federal government and first mortgages on homes valued at not more than $20,000.

Investors wondering what kind of a reception these issues will get on the present long-term bond market note that the Federal Land Bank 4% bonds due in 1958, comparable as to security, are now selling at about 90. They have the same guarantee as to interest, tax exemptions, and acceptability as the bonds of the Home Owners' Loan Corp. However, a large portion of the new bonds will be absorbed in exchange for mortgages and thus go into bank portfolios.

Housing

Ohio's new housing law likely to be imitated by other important states seeking federal grants.

OHIO has just enacted a "Housing Authority Law." Illinois, New Jersey, and New York are among the other states in which similar legislation is not improbable, at fairly early date. The idea, of course, is to set up housing authorities and become eligible for federal grants for housing and slum clearance projects. The law says only "public bodies" are eligible. Housing authorities, like the New York Port Authority, are to be public bodies, but without power to levy taxes. Counties and cities and states by this device will not have any liability for debts incurred by the authorities. Many governmental units have reached the limit of restriction on assuming liabilities.

Ohio—with a statute likely to serve as a model—makes the housing authorities subordinate to the state housing commission, limits their operation to a single county, gives them right of eminent domain. The authority will buy land, conduct the building operations, collect rentals. Income is to be applied entirely to debt service. The aim is housing at about $5 a room.

Cleveland already has tentative federal approval of a $12-million loan for a big housing project to go up on about 100 acres in the heart of its slums—rentals to be $8 to $8.50. Final approval is contingent on raising $2 millions more of capital for a limited dividend corporation.

2,500 Evictions

Cleveland landlords threaten to put 10,000 persons in the streets at once.

RELIEF straits which worry New York and Chicago take a special form in Cleveland where 2,500 families are threatened with simultaneous eviction by the Cleveland Realty Owners' Association, Inc., landlords of their apartments.

From the beginning of the depression, social agencies in Cleveland have been paying as a settled policy about half the rent the landlords asked, and where tenants were evicted have moved them into other suites, repeating the practice after paying the first month's rent. No excuse other than necessity was offered. In a number of instances, where the landlord's sole income was from his apartment, he joined his tenants on the charity roll.

August Finis

Even these payments ceased in August when the state Relief Commission in Columbus ruled that no rent money could be paid at all, except the small amounts rebated to landlords in the form of a tax release on the quarters actually occupied by the relief families. These rebates were arranged by the Annat Law, devised by social agencies in Cleveland, which aimed to short-circuit tax money which came back to the landlord as relief rent anyway.

The state Relief Commission abolished rents as such on the ground that relief funds would not cover more than food, even with the federal grants plus a number of new "nuisance" taxes passed in August. Subsequently the commission authorized taxing agencies to rebate to landlords certain small amounts in addition to their tax exemptions and scaled with these exemptions, these running from 80% on the small tax warrants down to 40% on the larger, the net result of which is that a landlord may expect to receive in lieu of rent a sum of money equal to between $3\frac{1}{2}$% and $4\frac{1}{2}$% of the appraised valuation of the portion of his property used by the tenant.

But Election's Coming

Landlords had announced a mass eviction when the state refused to pay rents and refused to drop their plan upon the liberalization of the terms of the Annat Law. They have postponed it until Sept. 21 upon the promise of city relief authorities that they will attempt to get a revision of the Annat Law through a special session of the legislature, still further liberalizing the payments.

But sympathizers both with the landlords and the tenantry in Cleveland have been pointing out that an actual attempt at eviction of 10,000 persons in a city where the mayor is running for re-election would not be nice.

Rail Renovation Troubles

Putting railroads on the reorganization route proves cumbersome job, even with a helpful law. Carriers are chary of I.C.C. control, hopeful of rising incomes.

RENOVATION of the railroads' financial structure is still a cumbersome job even under law that was intended to expedite reorganizations. Roads that took this route out of their troubles find themselves unable to move any faster than by traditional bankruptcy procedure.

In an effort to stave off bankruptcy, the Frisco adopted a tentative reorganization plan a year ago. When forced into receivership later, the road applied to the court for permission to avail itself of the new law. At hearings on its plan before the I.C.C. in July, the opposition demonstrated that it is completely unsatisfactory. Lawyers for the R.F.C., creditor of the road to the tune of $7 millions, now are camping in St. Louis, waiting for Federal District Judge Faris to return from vacation to demand appointment of trustees independent of the management to take the place of the 2 receivers, one of whom is J. M. Kurn, the president.

One of the R.F.C.'s ideas on reorganization of the Frisco is consolidation with the bankrupt Rock Island. Such a plan has been on foot for years but is not ready yet. Rock Island's view is that it can't consider a wedding with the Frisco until its own lines are properly consolidated and its reorganization completed. Consolidation of Rock Island system lines is agreeable to the I.C.C., provided that conditions with reference to acquisition of a short line, the Wichita & Northwestern, are complied with. That proviso harks back to the policy of protecting short and weak lines enunciated by Congress in the 1920 law which the commission still regards very seriously indeed.

Two Tied Up With Mopac

The Missouri Pacific has been in the hands of trustees appointed under the new law for several months but the reorganization committee has not yet brought forth its plan. The fate of two other systems is tied up with the Mopac. The best solution of the troubles of the Western Pacific and the Denver & Rio Grande Western seems to be consolidation with either the Missouri Pacific or the Burlington. Mopac owns a half interest in the D.&R.G.W. and with the Western Pacific owns the other half. The two roads carry Mopac freight to the Pacific coast. On passenger business the recognized route is over the Burlington.

Climbing income has helped several roads surely headed for the rocks not long ago to stave off bankruptcy or reorganization. The Western Pacific was on the verge when the I.C.C. refused to authorize another R.F.C. loan to meet $1 million interest due Sept. 1, but the road was able to raise the cash. Several big roads were already in receivers' hands when the reorganization law was passed and their destiny is obscured by the fog regarding policy on consolidation. Among them: Wabash, Seaboard, Florida East Coast.

Aside from the Mopac, the roads which have gone under since the new law has been on the books are little fellows: Chicago & Eastern Illinois, Minarets & Western, Fonda, Johnstown & Gloversville, Arkansas Valley Interurban.

Uneasy About I.C.C.

The extent to which the new law puts the I.C.C. in control of every step in the process of reorganization apparently has made the railroads chary of availing themselves of its provisions. Roads whose capital structure actually was toppling now are in bankruptcy or reorganization. Whether this is desirable for a much larger number of roads depends on your viewpoint. Conservatives who have no stake involved may think so. Paradoxically, this group includes the radicals personified by Senator Couzens who persists in representing the railroads as so much waterlogged junk. Others whose investments necessarily would be butchered by the write-down of capitalization cling to the belief that the utility of the railroad plant has not been destroyed to any large extent.

A little more business in recent weeks has enormously multiplied the railroads' net, preliminary compilations of July reports showing an increase of 400% over a year ago on an increase in gross revenues of 22%. This ray of hope for stock- and bondholders in the ultimate security of their holdings doesn't warrant much optimism at present among the purveyors of rail equipment and supplies. The roads have not yet earned their fixed charges for 7 months. Expectations have been raised by Commissioner Eastman's new survey, but this is merely intended to show how many of the present surplus of 400,000 cars can be repaired or ought to be retired. However, the commissioner thinks that the roads may be able to increase their purchases materially in the not remote future.

The Railroad Coordinator is spreading out his ideas in many other directions. He has accepted assurances from railroad executives that maximum salaries will be cut to $60,000, with the hope that still further reductions will be made at the top and down the line as far as appropriate and just. Now Eastman has turned his attention to persuading the best-paid train service employees to share their hours and earnings with younger men who, by reason of union seniority rules, have been bumped off the lower end of the payroll. To what extent his suggestion may be effective seems to depend upon existing agreements between the individual roads and their employees.

Blank & Stoller

TO HEAD I.B.A.—Robert E. Christie, Jr., of Dillon, Read & Co., will be next president of the Investment Bankers' Association. He was nominated last week; election Nov. 1 is a formality.

Seller's Market!

With the help of NRA and a few strikes, the garment industry has more demand than it can supply.

WORKING together, labor unions and the NRA have wrought dramatic changes in New York's famous garment industry. As a result of shortened hours and upped wages, dress prices have increased, a market which was dominated by a sluggish demand has become suddenly a seller's market with retailers feverishly calling for deliveries which do not promptly forthcome. A Cin-

cinnati buyer ordering 300 dozen of certain numbers had to be temporarily content with 300 garments which left large gaps in styles and sizes.

Not so long ago a buyer arriving in New York with a 300-doz. order would have been mobbed at the station. He could (and often did) use the desperation of manufacturers to hammer down prices to ruinous lows. Some employers put the squeeze on the worker. The change from such an unhappy state is due in part to bettered consumer demand, in a far greater degree to Washington's drive backed by a few well-chosen strikes.

Strikes When They Hurt

Unions of the dress industry combine in the International Ladies' Garment Workers. The International overlooks few bets. The Roosevelt administration came like an answer to prayer. Chiming with preparations for the dress code, the International let loose a volley of strikes. They were nicely timed to fall at a period when employers would be most embarrassed—the busy summer-fall interlude. The strike of the main body of 60,000 dress workers (*BW—Aug19'33*) was soon settled. So was that of 15,000 embroidery and affiliated workers, whose defection seriously crippled other processes. Came next a walkout of 25,000 underwear, negligée, and brassière workers. Last on the schedule are (1) blouse workers and (2) workers on children's dresses. Strikes have been generally successful, the employers having to content themselves with a victory on the optional use of piece-work pay against the union demand for straight weekly wages. The workers in this industry are not interested in such wage minima as are set by NRA and PRA because prevailing union rates in the trade are higher. The International was playing for higher stakes. Its chief demand is unionization to eliminate home work and sweatshops, with a 35-hour week all down the line.

New Rules Boost Prices

As a result of the government-backed union drive in states near the metropolis, rank cases of labor exploitation are being wiped out. (This may mean goodby to those smart-looking dresses that retailed for 97¢ or under.) Reputable New York employers get a break since they have suffered for years from sub-standard, low-cost competition. But the new rules have interfered with deliveries. First, work was held up by the series of strikes. Then there was a scramble for fabrics. Since hours are shortened and overtime ruled out, employers are unable to catch up with night shifts. Also 3 Jewish holidays fall in September. As an emergency dispensation employers will be allowed to work on 2 Sundays or 2 Saturdays during the month.

Policy Loans

New York and Connecticut life insurance companies remove restrictions; find no wild demand for policy loans.

NO LONGER is it necessary to plead dire need to get a loan on your life insurance policy, at least in New York and Connecticut. Insurance commissioners of the 2 states ordered the removal of restrictions on policy loans and cash surrender values, clamped down in the bank holiday era of February and March (*BW—Mar22'33*). The emergency has passed, say they.

Limitations of policy loans to $100, and then only in cases of genuine need or for meeting premiums, never appealed to the insurance companies, certainly not to insurance salesmen. Selling during the first few months of 1933 was no cinch in face of ever mounting unemployment and shrinking payrolls. The loan restrictions took the best plum out of the sales appeal basket of the insurance companies.

Official Blessing

By June, the National Convention of Insurance Commissioners took cognizance of the rising security markets and improved business conditions and gave its official blessing to greater leniency in loan matters (*BW—Jun10'33*). State after state gave discretionary power to the companies.

The trend since June has further helped the financial position of the insurance companies. Policy loans of the leading 44 companies increased $19 millions in January, $30 millions in February, to a peak of $2,997 millions. The $22-million decline in March loans undoubtedly was due to restrictions, not to lessened demand. April saw a $12-million expansion in spite of rigid regulations, with no net change for May. But in June and July, when liberalization of loan terms became more general, successive declines of $17 millions and $6 millions occurred.

Assets Going Up

In the meantime, admitted assets of 44 major life insurance companies rose from $16.6 billions in July, 1932 to $17.1 billions in July, 1933. During this period, a significant change occurred in company portfolios. The book value of government bonds held has steadily mounted, while that of railroad holdings has gradually declined in spite of the sharp gains in security prices during the period. Mortgage loans which stood at $6,397 millions in January, 1932 are listed at $5,876 millions in July, 1933. Of these, farm mortgages have declined continuously from $1,512 millions to $1,311 millions, while other mortgages fell from $4,885 millions to $4,565 millions.

Furthermore, sales of new insurance revived in the second quarter, particularly industrial insurance. By July, total new paid for insurance was less than 3.7% behind a year ago, while in January the spread was as much as 34.9%.

Recovery Straws

Job increases and relief decreases show strength of trade winds.

RECOVERY boosters are getting fresh figures to fortify their daily dose of stimulant.

New York State's Labor Department reports the sharpest upturn ever shown on its records—factory employment up 6.2%, factory payrolls up 6.7%. This fifth consecutive monthly gain makes a striking contrast with the decreases or, at best, fractional increases, that usually mark the July 15–Aug. 15 period.

For details, the job rise was biggest in New York City (7.8%), Syracuse (11.4%), and Binghamton (8%); working forces expanded notably in the metal plants of Albany, Schenectady, Troy, and Syracuse; railroad equipment and repair shops made unusual gains throughout the state; many concerns reported wage increases, time decreases due to NRA or PRA action.

The American Federation of Labor estimates that 2 millions have gone back to work throughout the country as a result of the recovery program (leaving 11.6 millions still jobless on Aug. 1); says August reemployment was almost as rapid as that of July, despite the check to business; finds trade unions had 23.7% of membership out of work in August against 24.1% in July, 26.6% in March.

Purchasing power of wage and salary workers, estimated to have risen $287 millions between March and July, is being felt in the retail trade. The Federal Reserve's department store sales figures for August indicate a much better than seasonal rise from July (but, while August sales are 16% above August, 1932, levels, totals for the first 8 months of this year are 10% under those for the same period of 1932).

Relief Charges Cut

A report from the Federal Emergency Relief Administration on June and July expenditures shows that the per-family cost of relief has been cut since April, though retail prices have gone up. The uniformity of the shrinkage throughout the country reduces the strength of the cynic suspicion that this is a shrinkage in funds rather than needs, though that suspicion still clouds conclusions. The figures are not adequately summarized, but a few important states stand out significantly. New York, for example,

AIRPORT ON A BARGE—New York's newest airport is just across the Hudson from Manhattan. Seaplanes and amphibians are easily turned around on the turntable at one edge of the float.

on a June-July comparison is found to have cut expenditures per family from $34.21 to $30.59, total outlay from $12.9 millions to $11.2 millions, families supported from 363,000 to 349,000.

Second Forest Army

End of Conservation corps' first enlistment term opens ranks to 110,000, perhaps more. Fechner counts dividends.

OPPORTUNITY will be afforded 110,000 young men to join the civilian conservation corps Oct. 1, when the first enlistment term expires. The vacancies may run larger than that if employment opportunities for those in the camps should increase before the end of the month. They can be filled readily.

While Robert Fechner, the director of Emergency Conservation work, attaches greatest importance to the improved health and mental outlook of the 309,000 now enrolled, he points out that the actual work they have done will pay a large dividend to the taxpayers. Thousands of miles of telephone lines have been put into operation. Nearly 300,000 acres of woodland have been cleared of brush and other fire hazards. Nearly half a million acres have greater protection against erosion than ever before. Thousands of miles of roads and trails have been built. Landing fields have been prepared. A large amount of work has been done on the control of pests that damage trees. Forests have been protected by the clearing of firebreaks, by the erection of steel towers and other observatories. Nearly half a million acres of new forests have been planted.

Program Carried Over

Due to some delays at the start the full program outlined for the first 6 months cannot be completed. The work will be carried on, however, during the next 6 months and the program enlarged as may be necessary to keep the full force busy. During the summer it has been necessary to detach from 3,000 to 5,000 men for the purpose of fighting forest fires.

More than $40 millions have been spent during the first period of enlistment for trucks, tractors, roadmaking machinery, axes, tools, clothing, food, housing, and other materials. In excess of $30 millions has been paid out in cash allowances to the men and in salaries to supervisory personnel. Of this $22 millions have gone direct to the dependents of members of the corps, thus relieving local relief loads. Some $7 millions has been paid to the railroads for transportation. There are expenditures of $100,000 each day for food for the men in the camps.

International News

BANK EXAMINERS—Sir Charles Addis (left), director of the Bank of England, and Lord Macmillan (who wrote Britain's famous "Macmillan Report") look into Canadian finance. When they finish their examination, Canada will know what to expect in its banking system.

Central Bank for Canada

Banking committee in Canada concerns itself with demand for a central bank. Live new opposition party demands nationalization of credit.

CANADIANS are somewhat impatiently awaiting the outcome of a national banking investigation. There is no fear that it will reveal an alarming situation in any of the 10 great Canadian banks, but on its recommendations will depend largely whether or not Canada is soon going to create a central bank, and reorganize the country's banking system accordingly.

The Canadian banking system is quite unlike the system in the United States. There are now only 10 great chartered banks in Canada, but they have more than 3,500 branches scattered through the Dominion, and another 175 branches abroad. There is no great central bank like the Bank of England, or the Federal Reserve Bank in the United States. Every 10 years, the Canadian bank law requires that a committee appointed by the government study the banking situation and recommend to the government any changes which might improve the system.

Regular Survey

The 10-year survey of the banks in Canada was due last year but the country was so far absorbed with the Empire Economic Conference and with the abnormal conditions created by the depression that the investigation was delayed a year. During that time Prime Minister Bennett busied himself in London, secured the services of Britain's able Lord Macmillan to head the investigating committee. It was Lord Macmillan who headed Britain's famous "Committee on Finance and Industry" which reported to Parliament in the spring of 1931, recommended a price-raising campaign and reduction of the gold backing for currencies, when Hoover was still busy with the moratorium question, and Britain was still "on gold."

The new Macmillan committee (2 Englishmen, 3 Canadians) is busy now with its investigation. Hearings started in Vancouver, are progressing eastward, should wind up in mid-October.

Canadian bankers generally are opposed to the proposal that the country create a central bank. Their main reason for objecting is that they would lose to the central bank the note-issuing powers they now have. London bankers are less inclined to side with their Canadian colleagues. There are already (or very soon will be) central banks in all the other principal parts of the Empire. They visualize a united central banking policy which will facilitate the trade arrangements proposed at the Ottawa conference last year. The "chain" would remain badly broken if Canada fails to create a central bank.

Another unofficial investigation of Canada's banks has been under way for some time. A new party has arisen in Canada in the last year. It is called the Cooperative Commonwealth Federation, has elements in its program not unlike those of the Socialist and Farmer-Labor parties outside Canada. One of the 3 main planks in the C.C.F. platform demands the "socialization of the banking, credit, and financial system of the country." A central bank would open the way to wider extension of credit to farmers and industry under government regulation.

A Year's History

Canada is beginning to take its C.C.F. seriously. The party was organized just over a year ago in a great Calgary rally. Farmer, labor, and Socialists leaders attended, chose as their leader J. S. Woodsworth, a representative in Parliament of labor from the Winnipeg area. Woodsworth is a crusader. With the help of the only woman member of the Canadian Parliament, Miss Agnes MacPhail, a progressive, he has accomplished what was heretofore considered the impossible in Canada: a harmonious union between the farm and labor elements. The party has gained a wide following in both the East and the West, though its greatest strength is in the prairie provinces. Politically, it is the only one of the 3 big parties doing missionary work with the public. It appeals to the people on a frank socialistic stand.

Whatever the recommendations of the Macmillan committee, Canada is due for an election before very long. The vote polled by the C.C.F. candidate will be significant. But, equally or more important, will be the platforms of the 2 older and more conservative parties. The question of a central bank is the least radical of many that will be campaign issues.

Gold Market

First offering of newly mined gold brings $29.62. Gold standard rate was $20.67. Price weakens on small demand. London market determines world price.

GOLD is once more sold freely as a commodity in the United States.

By official order from Washington, the country's 4 assay offices—at New York, Philadelphia, Denver, San Francisco—will accept newly mined gold to

sell in the world market at world prices. Opening offerings on Sept. 8—first day that the assay offices received the gold—consisted of 10,000 ounces. Official price was $29.62 a fine ounce. Official rate paid for gold so long as the United States was on the gold standard was $20.67 an ounce.

Only a relatively free market exists yet. The government ruling concerning the sale of gold applies to gold mined since Aug. 28 (when the President ruled that unrefined gold could be offered for sale at the world price). The metal is accepted only at the 4 assay offices and then, if it meets all regulations, is turned over to the district Federal Reserve Bank. From there it can be sold for domestic industrial use or it can be sent for sale on some world market, probably London. In this case, actual export is handled by the Federal Reserve Bank of New York without any special license.

The daily official price for gold is announced each morning by the Treasury some time between 10:30 and 11 (E. S. T.). The price is determined by the rate ruling on the London market, which opens several hours earlier, and by the amount of gold being offered for sale. On the second day of selling, the price dropped to $29.12. It continued weak.

Sales of gold to the consuming trade are made directly by the Federal Reserve Bank when the orders are for lots of given units. Odd lots are handled through licensed bullion dealers who melt down the standard bars received from the Reserve Bank. When gold is sold on the London market, the seller receives the price ruling on the day the gold is offered in London. In all cases, the price actually paid the producer is just enough below the market price to defray the cost of handling.

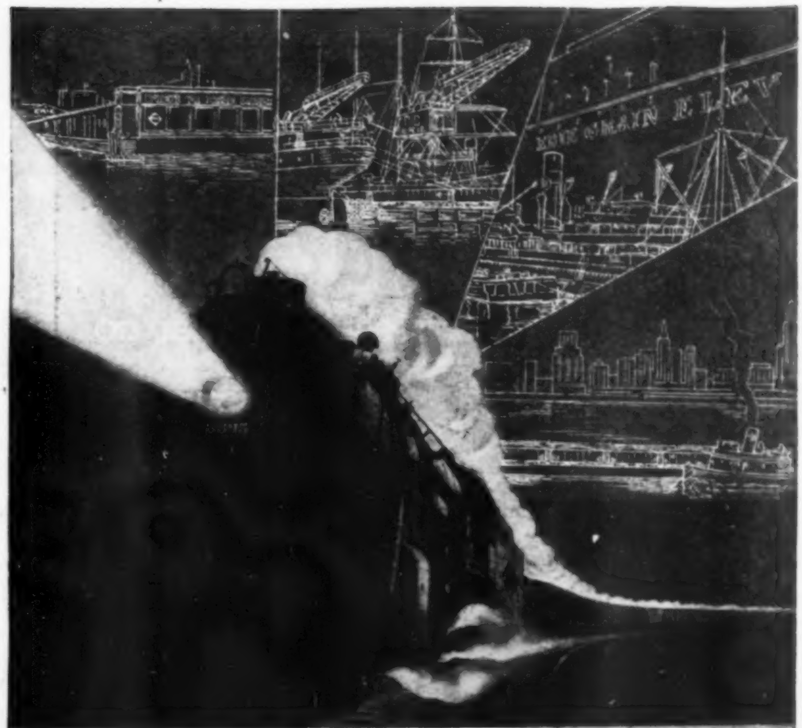
Nazi Boycott

American Jews organize "National Boycott Committee" under Samuel Untermyer to discourage trade with Germany so long as Hitler is in power.

It's the day of the boycott. China boycotts Japan; Germany boycotts Austria; the Jews boycott Germany; and Americans refuse to trade where the NRA is not respected.

The boycott of Germany by American Jews is getting fully organized this week. The American League for Defense of Jewish Rights, with its headquarters in New York, has created a National Boycott Committee, with Samuel Untermyer as honorary president. It will be the purpose of this committee to raise funds to subsidize publicity in newspapers, over the radio, in the news reels.

Plans are specific for making the boy-



cott really effective. The committee contemplates setting up a research bureau which will list all of the major items imported from Germany, and as rapidly as possible list substitute sources in other countries. While these data are being worked out, inquiries from buyers in this country will be handled at the committee headquarters. Where possible, American manufacturers will be recommended to the purchaser. Where supplies are available only from abroad, the committee will appeal to the various consulates in New York for supplemental information. So far, an incomplete list of drug substitutes has been prepared.

It is the plan of the committee so far as possible to hit at those products produced in a relatively small area in Germany and largely exported. In this way, results of the boycott are expected to reach Hitler most quickly.

At the committee headquarters, when asked for concrete examples of the progress of the boycott, *Business Week* was informed that 12 big wholesale food companies in Kansas City are already busy collecting signatures from the 8,000 retail grocers of that city for the purpose of submitting a petition to beet sugar refineries asking them not to purchase seed for sugar beets from Germany so long as Hitler continues his discrimination against the Jews. About 25% of the beet sugar seed used annually in this country come from Westphalia in Germany. Toys from Bavaria are another item bought heavily here.

Not all American Jews favor the boycott. The American Jewish Committee, which includes in its membership some of the wealthiest and most aristocratic of American Jewry, has not backed the boycott, though some members of the committee have cooperated with Mr. Untermyer.

Power from Geyser

Italians will generate electric power from natural steam.

Few countries have utilized natural water power resources more extensively than Italy. As a result of the comparatively cheap power, most of the rail lines in the northern part of the country are electrified.

Recently plans have been completed to generate electrical energy from natural steam emerging from the earth near Livorno in Tuscany. Geysers in that region shoot steam said to develop 220,000 lb. an hour at a pressure of nearly 60 lb. per square inch. Railway officials in charge of the generating station to be erected at the site believe it will supply 20,000 kw. This new power will be used to supply the 160-mile section of the Italian State Railways between Rome and Florence.

Business Abroad

Foreign exchanges volatile as confidence in franc wavers. German securities continue to sag on emigre selling. British still find basis for optimism. French make overtures to Soviets. Austrian situation no less tense.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—If there was a question before this week whether or not Austria would go Fascist, it was answered Monday when Chancellor Dollfuss made the announcement that his country would definitely adopt Mussolini's corporate system. Despite Hitler's various overtures to Rome and the very obvious attempts to copy the Italian organization of the state, Chancellor Dollfuss insisted that Austria is not setting up a Nazi state, and that there never can be any alliance between Germany and Austria.

The result is not clear. Austria, with the backing of Italy, France, and Britain, is being helped to maintain her independence. It is a makeshift, and no doubt temporary, condition which does not at all relieve the long-term tension in Central Europe.

Beyond continuous friction on the Bavarian-Tyrolean border of Austria and Germany, Germans are attempting to concentrate on their recovery program. There is one substantial point of difference between the Nazi and Roosevelt recovery programs which must always be kept in mind. While one of the chief objectives of the American program is to raise the domestic price level, be it by inflationary measures or by restricting and controlling production, the economic leaders of new Germany always stress that they are aiming at an increased volume of production which must result in increased buying power, and not a price rise which, they believe, would destroy or, at best, offset the incipient improvement of buying power of the public. They further emphasize that only stability of prices and the confidence of industrialists and investors in their stability will ultimately stimulate new investments and do away with a stagnant capital market.

This official German viewpoint was confirmed this week by the solemn agreement between the central organizations of German industry and of distributing trades The common statement issued in this connection recommends to members of both central organizations the greatest caution in respect of price advances. Profitable operation of industrial enterprises should be restored not by price increases which would only destroy the gradually improving purchasing power of the public, but by means of larger volume of production and sales and the ensuing reduction of operating costs.

In the shuffle of diplomacy around Germany, France is playing an important part. France, with Britain, floated the bulk of the loan to aid Austria. Herriot, popular at home and abroad, has carried on a series of conversations in the Balkans and Central Europe in the interests of France. He wound up his trip in Moscow, paved the way for the mass flight of French planes from Paris. Europe fully expects an announcement of a new Franco-Soviet trade agreement which includes some provisions by Moscow to meet at least a part of the old Czarist debts.

European

BATTLE OF THE BARGES—French rivermen, in protest against the motor barges which are so unfair as to go faster than the respectable hand propelled type, cried, "They shall not pass!" Some 30 barriers of barges blockaded the rivers and canals leading to Paris. Naval tugs won the first skirmish with a barrage of high-pressure cold water.

France

Temporary attack on franc indicates weakening confidence in ability of government to meet serious budget situation.

PARIS (*Wireless*)—Foreign exchange was a center of attraction all week. Sterling, after closing at 80.74 last Friday, recovered over the weekend, closed at 83 on Monday. Since then, fluctuations have been less violent. The bears were genuinely frightened, took to cover until word reached them from New York that the present situation was not likely to be ironed out without further inflation. As the week wore on, the bears resumed their old game.

Despite the recovery of the franc, there is growing concern in this country over the political situation. The budget deficit is alarmingly large and so far the Ministry of Finance has not offered any plan for meetin. it. The absolute silence of the government on this matter in recent weeks, in the face of spreading public protests, is weakening the position of the Cabinet, has already led to recurrent reports that France must turn to a coalition government to work the country out of the present crisis.

Unfortunately, there seem to be troubles ahead even in the formation of a coalition, much as it is needed. The central parties lack forceful leaders. The Radical-Socialists are unable to meet the required economies necessary to keep them in power. It appears that a new central government can be formed only with the cooperation of a few able Left Wing members who may be willing to sacrifice principles for the time being to carry France through the crisis.

Great Britain

Tone good but stock markets unexpectedly quiet. Specific reasons for optimism. Textile conference with Japanese not expected until November.

LONDON (*Cable*)—Commodities continue steady in Britain this week; trade signs are good; stock markets are unexpectedly quiet, but prices are firm. The only anxieties are the success of the third phase of the Roosevelt experiment in the United States, the menacing situation in Central Europe, and finally the question whether France will abandon the gold standard, and when. Soundest opinion expects no sudden move by Paris, but there will be no surprise if the growing budget deficit, when it is taken up by Parliament next month, will force the hand of the French.

Meanwhile, the fluctuations of the pound against the gold currencies are watched anxiously. The Exchange Equalization Fund is no longer operative, leaving foreign exchanges sensitive.

Smaller Dividends

Mid-year dividends of the great grocery and tobacco companies are smaller and indicate a lean half year. This has disturbed the share market, though the City does not expect the reaction to last for long since the directorates were simply playing safe until it is more evident how substantial the recent recovery is.

One of the most significant signs of optimism in Britain is the renewal of confidence in the iron and steel markets. Business has been well maintained through the quietest season of the year, competition from the Continent has slackened, and British producers are now experiencing a steady demand with consumers buying forward.

Among other general signs of improvement are: improving rail returns; reopening of the railway dock at Swansea; increased orders for the Welsh tinplate trade; orders in August for 7 new vessels; rekindling of 3 more blast furnaces; announcement of new plants to be erected by northern iron and steel firms; an order secured by Wales for 40,000 tons of coal for Spain; an order secured by British producers for more than $3 millions worth of galvanized iron sheets for Argentina.

Textile Conference

There is a better tone on the cotton market. Plans for the London conference between British and Japanese textile manufacturers are not progressing rapidly and it seems possible now that the delegates will not begin their talks until in November. By this time, the Simla meeting should have clarified the position of both groups, particularly as they relate to the huge India market. Just now, there is talk of tariff concessions by the British on the import of rubber goods, in the manufacture of which Japan has made rapid strides in recent years. There is also the possibility that the import duties on toys will be lowered.

Germany

Prices continue to slump on Berlin Boerse. Production outstrips buying power. Banking investigation focuses wide attention.

BERLIN (*Cable*)—Germany's recovery program has run into the same difficulties the programs of other countries have experienced. There have been some industrial gains during the summer, but these are tapering off now and, small as they were, they seem to have outstripped any recovery in purchasing power. This makes the outlook for the fall not too good. Continuing declines in foreign orders are also disturbing executives in the manufacturing industries.

The securities slump has continued this week, but for the first time in a good many months there are signs that the banks are coming to the rescue of the market. So far, they have had small effect and it is generally doubted if they command sufficient funds to end the slump which has by now reached genuinely alarming proportions. The share index on the Berlin Boerse dropped from 84 in May to 68 on Sept. 6.

Bank Investigation

A good deal of attention has been centered all week in the opening meetings of the commission of 15 which is investigating the effectiveness of the German banking system. The paramount question in the whole investigation is whether or not credit, and possibly all of the banks, should be nationalized. Dr. Schacht, head of the Reichsbank and director of the investigation, made this significant statement at one of the early sessions: "If this investigation should come to the conclusion that private banking should not be excluded in principle but that the influence of the government could not be dispensed with either, then it will be necessary to delineate the borders between the 2 factors." While most Germans do not expect that nationalization of the banks will be undertaken immediately, they do expect that it will ultimately develop under the strongly Fascist policies of the Nazis.

Germans are genuinely concerned over the formal denunciation of the tariff truce by Holland, Denmark, and Ireland, for it is interpreted as meaning there will be a fresh wave of tariff increases which will further injure Germany's chances for recovery.

International News

LORD CHILSTON—Britain's new ambassador to Moscow is presumably more sympathetic to Soviet ideas than his predecessor, but British and Soviet negotiators in London have reached no agreement on trade treaty.

Far East

Japanese foreign trade in August reflects improving economic conditions. More tolerant attitude toward China fails to end boycott.

AUGUST foreign trade data for Japan have just been released, show that exports are nearly 35% above the total for August of last year, and that imports have jumped nearly 79%. The balance, though smaller than a year ago, is in Japan's favor. Expanding exports are due to the continued success in creating new markets abroad with the advantage of a depreciated yen. The heavy rise in imports is due to the rush of the cotton textile mills to stock Indian cotton before a boycott is declared, if that develops at the Simla conference. There have also been heavy purchases of iron, wool, and sulphate of ammonia.

In both China and Japan, the critical are aware that both countries are becoming more tolerant of each other. Japanese sales to China, nevertheless, showed a heavy decline in August, dropped nearly 40% below the total for August last year. Imports from China were up 141%.

In a special report to the New York *Times*, their Tokyo correspondent summarized the current economic situation:

"Trade improvement began fully a year ago and its uninterrupted course seems to support the theory that a 'natural' recovery from the depression

has come with the stimulus given by the country's departure from the gold standard. Japan's export trade touched a low-water mark in 1931, increased 30% in 1932, and another 35% in the first 7 months of 1933. The yen is worth less gold than in 1931, but its value in food, clothing, and shelter has diminished internally but little. The fall in its value was offset to a large extent by the fall in the price of the commodities that Japan imports. Depreciation enabled Japan to open new markets and expand old ones, and although her goods are cheaper in terms of gold, she is selling more of them.

"Some of the drawbacks of currency depreciation are now beginning to reveal themselves. India, Malaya, East and West Africa, Egypt, and Turkey have taken steps to protect themselves against 'exchange dumping' by Japan. Although the retail price index has risen only 5.4% in a year, the wholesale index shows a rise of 33.2%. While this is welcome evidence of the higher price level which is desired, it is a warning that living costs and wages will also rise. Japan so far has experienced only the pleasures and not the pains of a depreciated currency."

During the current week, commodity prices—especially the price of raw silk—have been weak. Despite the bumper rice crop, the price remains steady under government control. Stock prices were generally up. The yen is currently exchanging around 26½¢.

Latin America

Revolutionary government precariously holds power in Cuba. Business stymied by new unrest.

THE general business and political attitude toward Cuba is to "watch and wait." The student group now nominally in control does not have the support of the entire opposition and there is still little confidence that the Grau San Martin government will be able to maintain its control of the army.

Executives are refusing to make more than the necessary commercial commitments until the government has more complete control of the situation. Bank clearings are down, reflecting the fresh unsettlement of business on the island.

There is little news from other Latin American countries. Colombia has been forced to lower the exchange rate of the peso from 113 pesos to $100 to 123 pesos. The Argentine has placed an order for 13,350 tons of galvanized sheet iron, worth $1,350,000, with the American Sheet & Tin Plate Co. The sheets will be used in northern Argentina in erecting a barrier against swarms of locusts which frequently threaten crops in vast areas.

The Figures of the Week

Department store sales followed rising payrolls in August. Steel decline halts, but new orders lag. Coal production increases in spite of code wrangling and strike threats. Carloadings reached new peak for 1933 prior to Labor Day.

CONSUMERS have heard those widespread threats of rising commodity markets which followed in the wake of industry codification, and given the means wherewith to buy and a little encouragement, the American public isn't hesitant about buying. Department stores in 214 leading cities report August sales 16% above a year ago, with the adjusted index of sales at the highest level since April, 1932. From the bottom reached in March, department store sales have risen nearly 32%. In the Cleveland district, August sales jumped 42% ahead of last year. But in no section have the 8-month sales to date exceeded the first 8 months of 1932.

New York is the first major industrial state to reveal employment conditions in August, significant because it usually forecasts the trend of the national figures. For the fifth consecutive month, employment has shown increases over the preceding month, and the August gain of 6.2% is markedly contrary to the small fluctuations of the past 19 years. Payrolls increased 6.7%.

August construction succeeded in reaching the peak of 1933 through the hearty support of public works, long under fire for unaccountable delay in getting started. Total contracts awarded in 37 states, according to F. W. Dodge, reached the grand total of $106.1 millions, a 28% increase over the $82.7 millions of July, but 21% less than the $134 millions of a year ago.

Almost half of this total represents public projects with a scattering of utility awards. Though the gain over July is as much as 171%, it doesn't amount to much, actually: July awards totalled only $18.9 millions. August contracts of $51.4 millions look pretty in percentage but are really 20% below the none too large figure of $64.2 millions a year ago. Secretary Ickes announced that allotments from the $3.3-billion fund of the Public Works Administration were over $1.4 billions. Estimates of the proportion of such public funds that would find its way into the pay envelopes of workers run as high as 85%.

Residential contracts of $21.9 millions form the only group to exceed the 1932 level, but the margin is only 5.6%. In spite of the extra business day of August, residential construction awards slipped 7% from the $23.6 millions total of July. The long awaited announcement of the bond program of the Home Owners' Loan Corp. was made this week to banks, insurance companies, and other institutions interested. The 4% interest is guaranteed by the federal government.

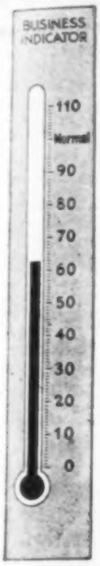
Non-Residential Building

Non-residential contracts aggregate $32.8 millions, an 18% decline from the $40.1 millions of July, and a 33% drop from the $49.1 millions of a year ago.

Getting the steel industry under operation of the code with its elaborate price setup tends to slow up new buying. Though there have been a few announcements of price increases that stimulated specifications against existing contracts, buyers apparently do not

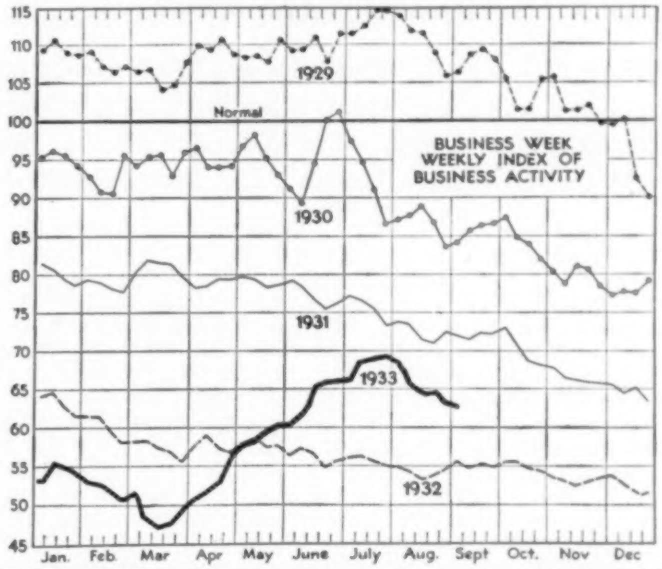
BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1928-1932)*
BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*62.8	†63.4	55.5	
PRODUCTION				
Steel Ingot Operation (% of capacity)	42	42	15	53
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$3,837	$3,651	$4,737	$13,614
Bituminous Coal (daily average, 1,000 tons)	*1,328	1,292	941	1,430
Electric Power (millions K. W. H.)	1,583	1,637	†1,424	1,563
TRADE				
Total Carloadings (daily average, 1,000 cars)	111	105	94	153
Miscellaneous and L. C. L. Carloadings (daily average, 1,000 cars)	67	64	62	98
Check Payments (outside N. Y. City, millions)	$2,501	$2,572	$2,431	$4,036
Money in Circulation (daily average, millions)	$5,652	$5,612	$5,732	$5,004
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.86	$.86	$.49	$.80
Cotton (middling, New York, lb.)	$0.91	$.093	$.078	$.128
Iron and Steel (STEEL, composite, ton)	$31.23	$31.23	$29.32	$32.94
Copper (electrolytic, f.o.b. refinery, lb.)	$.087	$.088	$.060	$.112
All Commodities (Fisher's Index, 1926 = 100)	70.9	70.8	63.2	82.3
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	2,316	$2,282	$2,313	$1,515
Total Loans and investments, Federal Reserve reporting member banks (millions)	$16,562	$16,607	$16,501	
Commercial Loans, Federal Reserve reporting member banks (millions)	$4,790	$4,767	$5,364	
Security Loans, Federal Reserve reporting member banks (millions)	$3,748	$3,766	$3,980	
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$866	$881	$371	$3,090
Stock Prices (average 100 stocks, Herald Tribune)	$102.10	$102.63	$90.44	$146.60
Bond Prices (Dow, Jones, average 40 bonds)	$86.73	$87.09	$81.62	$91.89
Interest Rates—Call Loans (daily average, renewal) N. Y. Stock Exchange	.8%	.9%	2%	4.5%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	1½%	1½%	2-2¼%	3.8%
Business Failures (Dun and Bradstreet, number)	255	311	420	355

***Preliminary** **†Revised**



The Index

The weekly index of general business activity, first of its kind, is compiled by *Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For details of statistical methods, write the editor.



anticipate any radical changes for the fourth quarter. Unfilled orders of the U. S. Steel Corp. at the close of August declined for the second consecutive month to a total of 1,890,444 tons, which is but slightly larger than the April backlog.

Steel production during August slumped for the first time since March, tonnage declining fully 9.5% in spite of 2 extra working days. The operating rate dropped from 58.9% of capacity to 49.4%. But in the first 8 months, total steel produced exceeded 15 million tons, a 13% increase over the 13.3 million tons produced in the entire year 1932.

Prospects for Fall Steel

Fall steel business appears problematical to some of the trade experts, who point to dwindling support from the motor trades prior to model changes and who see very little volume coming from the railroads, pipe, and construction industries in spite of the constant discussion of ways and means to stimulate these branches. Holding out the lure of government loans for rail purchases providing the price of rails is reduced is not altogether welcome to the steel industry, which quickly trots out its usual arguments on the high cost of producing present day rails. *Iron Age*, however, ventures to predict some willingness to reduce rail prices providing the tonnage involved is large.

Motor buyers have not adjusted themselves to the steel code stipulations of one price to all comers, and have attempted to shop around in the usual fashion for rock bottom prices. The practice is said not to have yielded the customary results. Chrysler has ordered 100,000 tons of steel, thought to be more than sufficient for completing current models. Members of the National Automobile Chamber of Commerce report August output of 171,145 units, a 213% gain over a year ago, and only 3.4% less than July. In 8 months, production has totaled 1,153,402 cars and trucks, an 18% gain over the whole year 1932. These figures exclude the important Ford data, since he is not a member of the Chamber.

General Motor sales to consumers in August were but slightly smaller than July, aggregating 86,372 against 87,298 the preceding month. This is still larger than any month of 1932, being 132% above the August total.

Bituminous coal production is still rising, following the usual seasonal trend as cold weather approaches and industrial consumers find their supplies inadequate in face of better activity and threatening coal strikes. August production of soft coal was more than 50% greater than a year ago.

Carloadings at Peak

Labor Day suspensions reduced the consumption of electric power during the week ending Sept. 9, but the margin over 1932 is still slightly more than 11%.

Chiefly under the influence of sharp gains in coal and miscellaneous freight, the total freight shipments for the week just preceding Labor Day reached the highest peak since the middle of November, 1931.

The volume of transactions covered by checks for the period ending Sept. 6, which included the holiday, showed larger shrinkages in the major financial centers than in the country at large. New York City check volume was off 13% for the week, but San Francisco showed an 8% increase.

The $40-million rise in the volume of currency outstanding during the week ending Sept. 9 may also be laid to holiday demands for cash. During the July 4 week, a $44-million increase occurred to interfere temporarily with the declining trend.

Commodity prices display no marked trends, but have continued to hold at levels established early in August with but minor variations. The government's Sept. 1 forecast on crops indicated slightly higher yields than a month ago, but final figures will hinge upon the fall frosts. During the week, wheat prices have been irregular; corn prices moved downward.

Sows Slow to Market

The hog reduction program is not progressing as was planned, largely because farmers are not cooperating with that part of the program dealing with marketing of sows. About 2 million of the 4 million pigs have been purchased by authorized processors, but only 50,000 sows out of the million required have been sacrified to the cause of higher prices. Apparently farmers figure that more can be gained by holding the sows, selling the pigs to the government, and then breeding the sows again. The Administration is seeking to impress the farmers with the absolute necessity of cooperation in the program as originally planned.

Non-ferrous metal markets were firm. Consumption has been in good volume. Copper prices were shaded slightly on some orders, but proved temporary. Lead markets were active under substantial buying volume from major industrial consumers convinced that current price levels will not prevail indefinitely. Speculative buying boosted silver to 37½¢ an ounce. Tin plate manufacturers returned to the market as operations continue at a good rate.

The Financial Markets

Inflation talk again permeates the Wall Street counting houses and the Washington listening posts. Commodity prices continue weak. German situation is worrying export corporations. Bonds rally from recent lows.

Money

INFLATION will not down. It has cropped up again in Wall Street and Washington. Wall Street isn't exactly gloomy—it hasn't reached that stage yet—but neither is it cheerful. There is unmistakable disappointment over recent recessions in business activity. Optimists are explaining the halt as a hangover from the business spree of May, June, and July. To be sure, there is considerable encouraging news for September. The month started with employment, payrolls, retail sales and earnings up. But there is a setback in business and doubt beclouds recent exuberance. Can NRA confusion be untangled? Can the dissatisfaction of the farmers over the contrast between rising non-agricultural prices and lagging farm prices be allayed? Can the public works program get under way sufficiently fast? Can consumer buying be stimulated sufficiently to maintain factory activity? And can the confidence of investors be restored so that the capital goods industry will resume activity?

In brief, Wall Street now wonders whether the pace can be held. Moreover, it is sure that this pace isn't enough, that much more will have to be done before January to keep Congress docile.

And so the Street has its ear cocked to hear inflation noises from Washington. Senator Harrison has been telling the President that commodity prices must go up and that the lack of credit is hampering business. He advocates "rational inflation." The President shows evident concern over the credit situation; he showed it to the bankers' convention. Jesse Jones and Hugh Johnson also have been looking into credit and finding it wanting. The Federal Reserve banks are pushing their open-market purchases and the use of greenbacks has ceased to be outside the realm of probability.

In fact, there is a conviction that major reliance must now be put on inflation. The Federal Reserve system controls the main flow of credit and can—and, according to Washington observers, will—stuff the commercial banks with excess lending power, which they must try to use profitably for themselves.

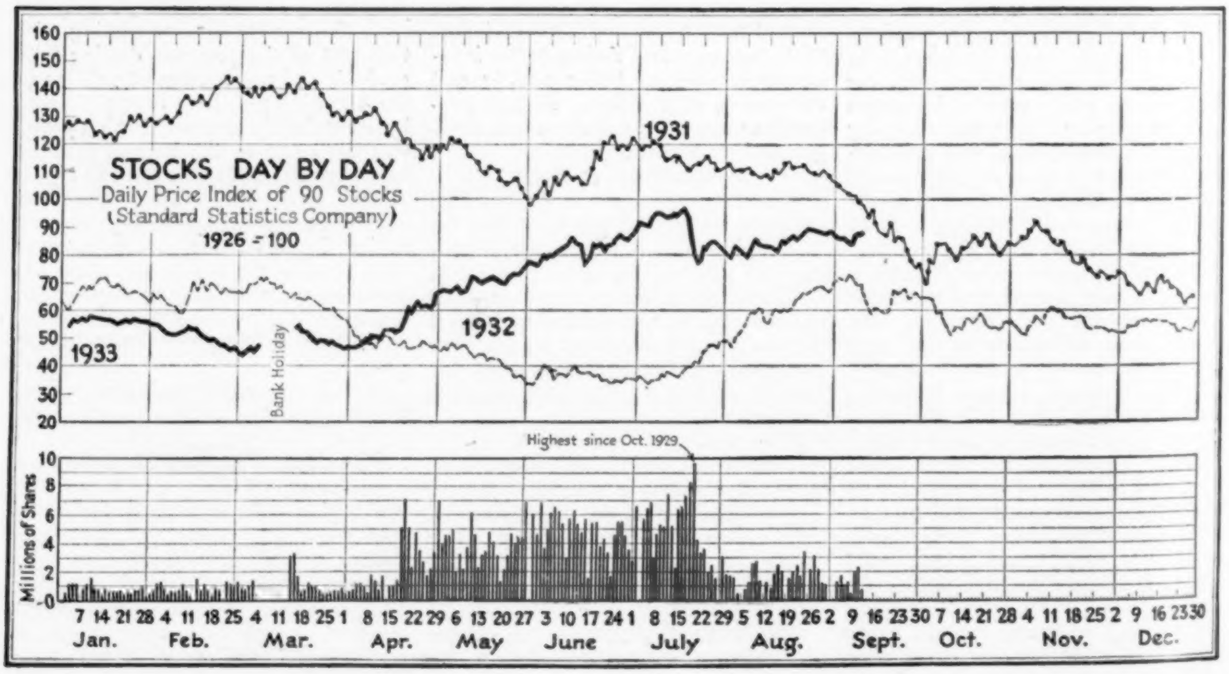
It should be understood that, though we have been in a psychological atmosphere of inflation, no tangible inflation has taken place. Total money in circulation is $900 millions less than last March and $40 millions less than in September of last year. Bank loans and investments in 90 leading cities again dropped $45 millions last week and are now about the same as in September last year. Net demand deposits dropped $47 millions, investments in securities $50 millions. Contraction of credit goes on relentlessly.

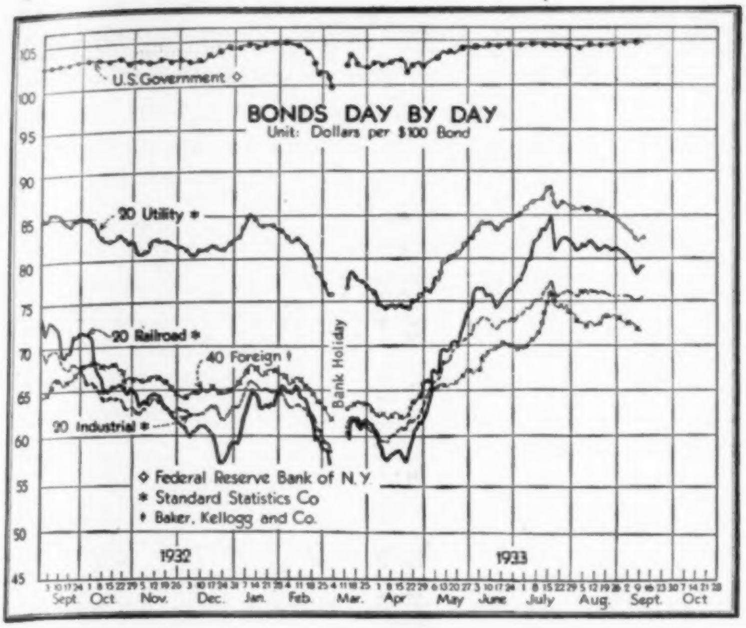
One of the sounder methods of re-establishing credit confidence would be to reassure the banks that, in joining the Deposit Insurance Corp., solvency rather than liquidity will be the criterion. This will give them an opportunity to think in terms of lending customers when they have adequate but frozen assets. Heretofore, they have been compelled to call loans in order to become liquid.

Capital Goods Talk

Increasing emphasis has been laid on the importance of stimulating capital expenditures so as to revive the heavy industries, especially construction. The Federal Reserve Board has been regaling its readers with graphs which, in the main, tend to show that production of consumer goods has not declined nearly as much as production in the heavy industries, and that unemployment is largely the consequence of stagnation in production of durable goods.

In response to the new inflation sentiment, the dollar has been subjected to additional pressure. In terms of the gold franc, it is now at about 70¢. But this has failed to buoy up agricultural commodities. September wheat continues at around 83¢, and oats, with a statistical position which has made the mouths of speculators water for several weeks, still sell at around 36¢.





Grain prices were somewhat strengthened by the announcement of the Agricultural Adjustment Administration that it would subsidize the exportation of 30 million to 35 million bushels of stored wheat from the Pacific West even though it may sustain a loss of about $7 millions in the process.

The wheat will be sold in the world markets at world prices, mostly in China, Japan, Ireland, Spain, Portugual and the Philippines, at from 15¢ to 20¢ below the domestic price. The loss will be made up from the processing tax of 30¢ on each bushel.

Bonds

THE bond market continues to be bedeviled by the uncertainty of dollar values. In face of improved earning statements of railroads and corporations which should strengthen bonds, the bond market continues unimpressed. There has been an upturn in railroad and corporation bonds, but there is as yet nothing to show that August losses are being recovered.

One newspaper explanation is that capital continues to flee from the country. Despatches from Canada asserted steps are being considered to stem this flow of "unwelcome" capital. Some European correspondents estimate that capital has fled the United States in the enormous amount of $1 billion. London was reported concerned over the unwanted floating balances. The stories are not very convincing. Our own London correspondent finds absolutely no basis for believing there has been any considerable influx of American funds.

Stocks

STOCKS have been under pressure and have failed to respond to inflation talk or to any of the improved earning statements that continue to come in.

The stock market has become internationally-conscious again. The disastrous decline of securities on the Berlin Boerse continued this week. Nazi officials blame it on dumping of shares by émigrés. Wall Street blames it on the state of Germany industry. Production rose during the summer but not in proportion to gains in employment, indicating that wages, and buying power, are lagging seriously. Banking assets have shrunk 500 million marks since Apr. 1. Supplementing a new wave of international trade restrictions, this makes the outlook for German industry increasingly less favorable. American suppliers are watching this long-important market for signs of contracted buying. Whatever gains had been expected from new trade relations with Russia may be offset by trade losses with Germany.

The decision of New York City to impose a transfer tax on stocks has failed to meet with sweet reasonableness on the part of brokers. Stock exchange officials threaten to move from Manhattan and have prophesied other dire consequences unless Mayor O'Brien desists. A sharp decline on the day the tax hearing took place was conveniently cited as foreshadowing wholesale divesting of stocks in order to escape the new tax.

Higher prices for crude oil and gasoline have again centered interest on oil stocks which have been buoyant in an otherwise cheerless market.

BUSINESS WEEK

The Journal of Business News and Interpretation

SEPTEMBER 16, 1933

The Flat Tire

EVIDENCE accumulates to indicate that some new and powerful impetus may be put behind the acceleration of business. If resort to economic force becomes necessary, it will not be because the efforts of the government thus far have failed. In fact they have succeeded remarkably in view of the limitations of their scope.

The extent to which results have failed to measure up to the federal agenda of last March is owing primarily to the fact that relief and stimulation have been directed largely toward the production and distribution of consumers' goods to the neglect of the capital goods industries, in which gross business employment and profits far more closely parallel the business curve than do indices of the consumer goods industries. There is a belated but growing realization in Washington and in the councils of political economy that essential and permanent progress cannot be achieved until business is revived and employment restored in the capital goods industries.

Although commodity prices have risen sharply since the first of March, the Administration is not satisfied with their levels, particularly with the prices of agricultural products. And yet it is disturbed because prices have advanced faster than buying power. It probably is true that there has been some profiteering and considerable unreasonable advance in prices. Prices advance faster than buying power in the turn of depression to prosperity. It is also true that purchasing power cannot long sustain the NRA scheme without a full recovery of the heavy industries.

Depending on definitions, the production of capital goods declined from 67% to 75% during the depression while the recession in the production of consumers' goods was somewhere between 25% and 30%. At the present rate of recovery, consumers' goods production will have recovered half its losses by the end of the year while capital goods will have recovered but about one-fifth. If consumers' goods be defined as those goods that go quickly to retail distribution and are consumed or worn out in a short time, we produced about $30 billions worth of them in 1929 as compared to $40 billions of capital goods.

The restoration of capital goods industries does not and should not depend on the inflation of plant capacities. Billions of dollars are needed immediately for the modernization of industry. Instead of curtailing employment, this modernization would increase employment. For every worker unemployed and every dollar of payroll lost in the capital goods industries, three workers are dismissed and $3 are lost to other industries which supply consumers' goods or industrial materials. It has been estimated that there is a backlog of $30 billions of business required for the re-equipment of industry. The figure is an accumulation of deficits which to some extent depend on definitions, and is probably excessive. The critical need of consideration for the capital goods industries is amply illustrated by the fact that in the last three years there has accumulated a deficit of some $6 or $7 billions in urgently needed plant facilities.

The heavy industries require a large proportion of permanent or long-time capital. Whatever may be the need of banking reform and the regulation of the emission of securities, attention must be given to the fact that for the present there is no market for long-term industrial securities. It is not enough for the government to amend its attitude toward the capital goods industries and encourage the modernization of industrial equipment. Capital must be found immediately. If the restrictions of the Securities Act and the Banking Act are to continue and if private bankers cannot or will not finance the capital goods industries, the government must meet the issue promptly.

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